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WALTERS · WINGATE · WEINER

Retail Merchandising

FOURTH EDITION

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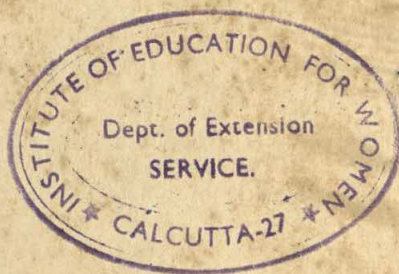
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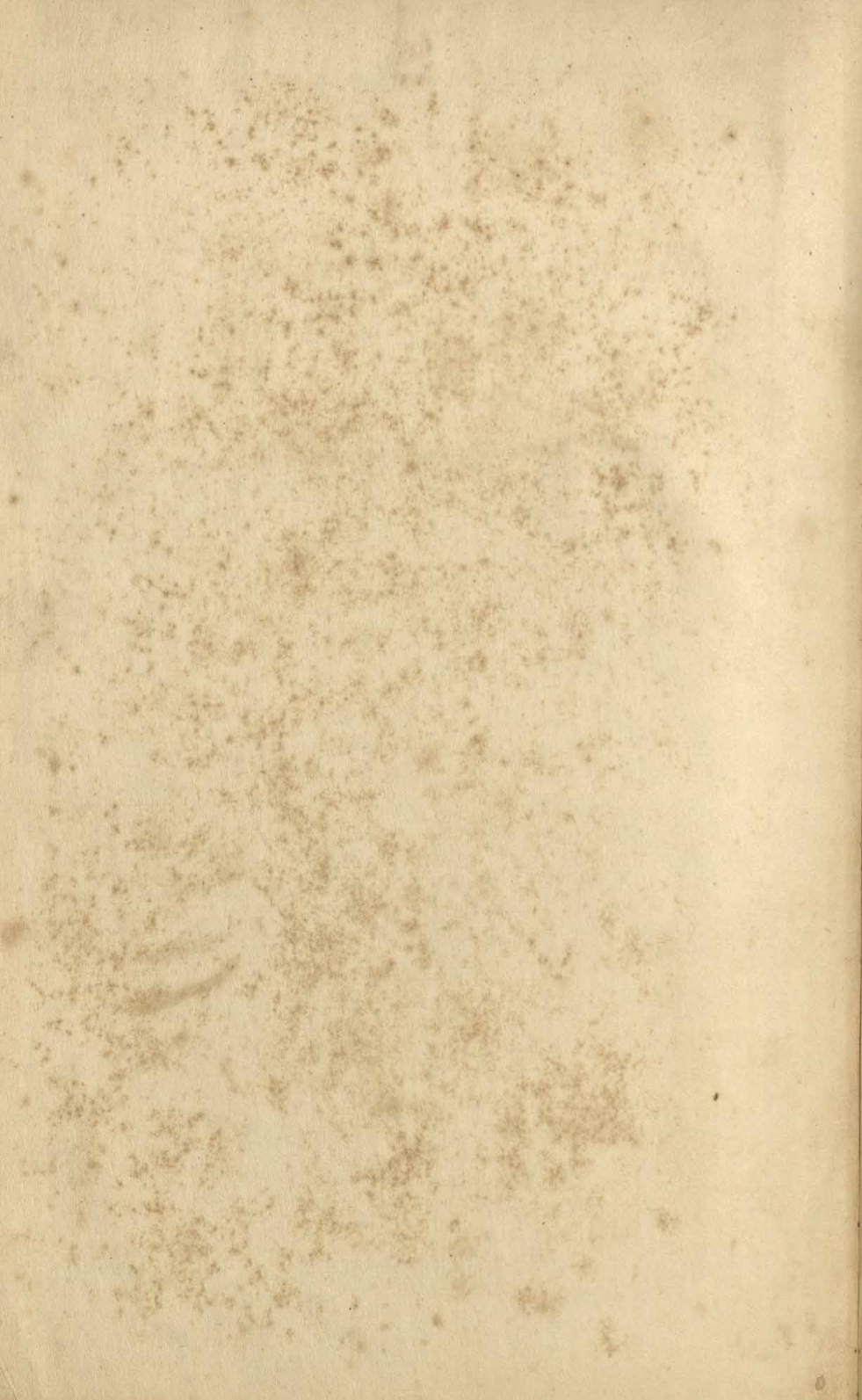
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WOODROW WILSON HIGH SCHOOL
TEXTBOOKS
LONG BEACH, CALIFORNIA



RETAIL MERCHANDISING

FOURTH EDITION

BY

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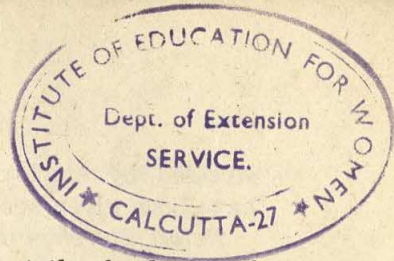
**WOODROW WILSON HIGH SCHOOL
TEXTBOOKS
LONG BEACH, CALIFORNIA**

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PREFACE

The purpose of this book is to present the fundamental principles and practices of retail merchandising that should be understood by all who plan on entering retailing as a vocation. It is based, first, on a study of what store executives believe should be included in the training of prospective retail workers while they are still in school, and second, on the actual content of retail courses now offered in leading schools throughout the country. The text gives a grounding in the procedures both of buying and of selling merchandise since the successful retail merchant must both buy and sell. In addition, it presents a thorough discussion of the control and pricing of stock and of the government regulation of retailing—information about which young people entering retailing are too often woefully ignorant. Finally, the present-day emphasis placed upon vocational guidance makes the beginning and ending chapters of this book especially timely.

It is recognized that the mastery of any vocation requires not only a thorough knowledge of underlying principles but also practice in applying those principles. Such practice should, when possible, be obtained through part-time co-operative work. *Retail Merchandising* has been prepared with the idea that it may be used as a basis for a part-time co-operative system. Some retail skills, however, can be developed in the school itself, and practice in developing these skills has been made possible through the activities suggested at the end of each chapter. In addition to these activities, each chapter is followed by a list of review questions that will aid the student in mastering the subject matter, and by discussion problems that will give him an opportunity to apply the principles presented. Each chapter is also followed by a vocabulary or a list of "words of the trade" that will aid the students in acquiring an active business vocabulary. Case studies and topics for discussion should afford a lively period of review of the chapter subject matter. Both English and arithmetic, the two subjects

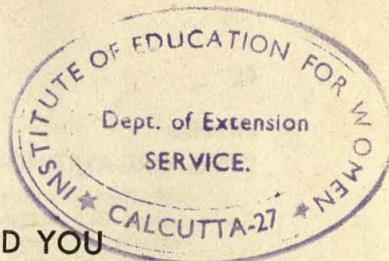
stressed by employers when questioning job applicants, have been given special treatment.

Retail Merchandising may be used as the basis for a full year's course, provided all five sections and all questions and problems are included. Through the omission of some of the more advanced topics, such as those on "Control," and the omission of some of the discussion questions and problems, the text may be used for a one-semester course.

The book should be useful to all beginners of the study of retailing. It is believed, also, that even experienced retailers will find the book both interesting and helpful.

The authors gratefully acknowledge their indebtedness to the host of unnamed retailers and teachers of distributive subjects upon whose experiences the authors have drawn.

R. G. WALTERS
JOHN W. WINGATE
J. D. WEINER



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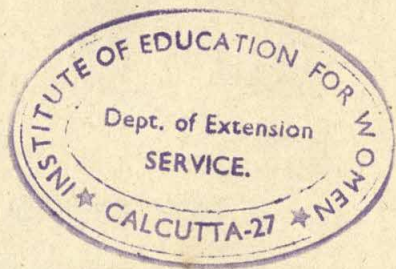
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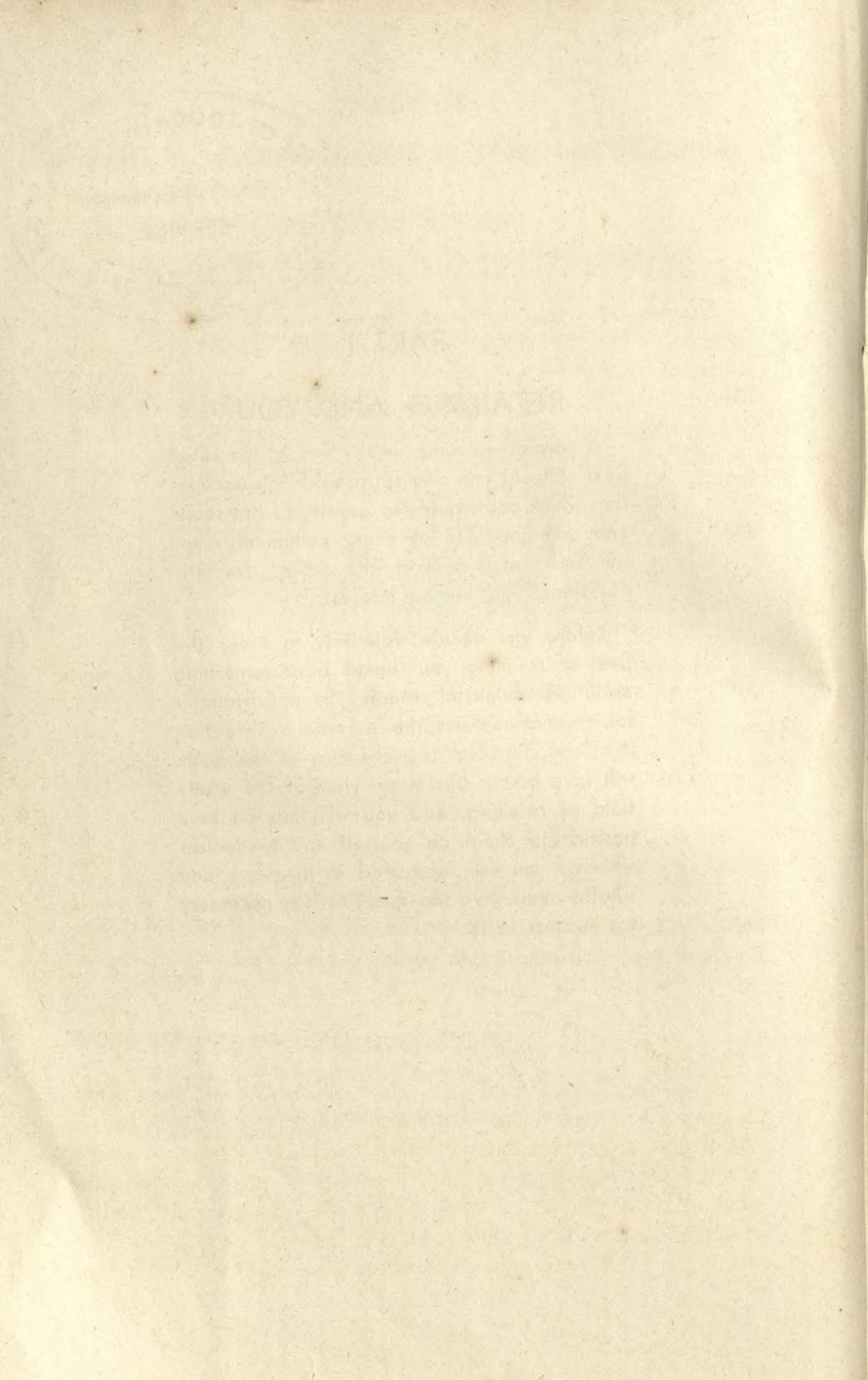


PART I

RETAILING AND YOU

A cordial welcome awaits you in the retail field. Should you decide to enter this occupation which contributes so greatly to the social and economic life of every community, you will find that it is filled with action, dramatic situations, and human interest.

Before you decide definitely to enter the field of retailing you should know something about the financial returns, the opportunities for promotion, and the personal satisfaction it offers. The first two chapters of this book will give you a bird's-eye view of the whole field of retailing, and you will thus be in a position to check on yourself and to decide whether you are interested in the work and whether you have the qualifications necessary for success in it.





CHAPTER I

WHAT RETAILING OFFERS YOU

Norman Laring, a high school senior, was quite perplexed. He had reached the age when he should give serious thought to his future; yet he could not decide upon what to do. He decided to go to his vocational counselor for advice and help.

The counselor looked at Norman closely. He had no unusual physical characteristics. He was a little above medium height; he was clean looking and was neatly dressed. The counselor examined Norman's records. He had good grades, but he was not outstanding in any particular subject. He seemed to have broad interests and to be well liked by everybody in and out of school.

"Have you ever given any serious thought to the field of retailing?" asked the counselor.

"No, I haven't. What's that?"

"Retailing is such a large field that it is difficult to explain in a few words. It is tied up with human beings, with goods, with money, and with joy and satisfaction."

"Sounds interesting," said Norman, "but where do I fit into the picture?"

"That will be clear to you once you get the idea of what retailing is and the opportunities there are in the field. Let us look at retailing more closely." And then the counselor gave Norman the following information about retailing.

The Field of Retailing Is Broad

Retailing is the final link in the chain of distribution designed to satisfy the needs and the wants of consumers. Wherever there are people, there must be stores to serve them. The population of our country is growing and the field of retailing must keep pace with this growth. Today there are about 1,700,000 stores in the United States. The majority of Americans, especially those who live in urban

areas, do not raise their own food or make their own clothes; they depend upon the retailer to supply these needs. At present there is a store for every twenty-three families, or about eleven stores for every thousand people. In no other type of business enterprise are there so many separate organizations.

Retailing Employs Many People. In order to run the 1,700,000 stores, nearly 7 million workers are needed. Some of these workers are owners; some are managers; millions are salespeople; and others hold nonselling positions. In fact, nearly one out of every seven people gainfully employed in this country is connected with retailing in some manner. Only in the field of manufacturing are there more people employed.

Growth of Retailing. The following table shows that the volume of retail trade has been growing very rapidly. In

VOLUME OF RETAIL TRADE^a
(IN BILLIONS OF DOLLARS)

1929	49.1	1945	74.6
1933	25.0	1946	100.8
1936	38.3	1947	118.9
1939	42.0	1948	130.0
1942	57.8	1949	128.2

^a 1929, 1933, and 1939 figures from the Census; figures for other years estimated by the Department of Commerce.

dollars the sales in 1949 were over five times as great as they were in 1933. Since prices rose most of the time during this period, the actual sales of merchandise did not increase so fast, but they have more than doubled since 1933. Normally, sales of stores specializing in durable goods (automobiles and parts, furniture and household equipment, building materials, and jewelry) are about 25% of the total. The rest, or about 75% of the volume, is done by stores carrying primarily goods quickly consumed, particularly food and beverages, clothing, and drugs. See the table on page 5.

SALES OF RETAIL STORES ^a
(IN MILLIONS OF DOLLARS)

Kinds of Business	1946	1948	1949
All retail stores	100,787	130,042	128,183
Durable goods stores	21,761	38,008	39,874
Automotive stores	8,808	19,309	22,728
Bldg. material & hardware stores	6,750	10,710	9,508
Home furnishings stores	4,860	6,725	6,537
Jewelry stores	1,343	1,204	1,100
Non-durable goods stores	79,026	92,034	88,309
Apparel stores	8,981	9,865	9,175
Drugstores	3,520	3,687	3,605
Eating and drinking places ..	12,362	12,112	11,240
Food stores	25,005	30,506	30,298
Filling stations	4,065	6,325	6,363
General merchandise stores ^b ..	14,611	17,015	16,019
Other types of stores	10,482	12,524	11,609

^a Figures from U. S. Dept. of Commerce, office of Business Economics.

^b Includes department stores, variety stores, mail-order houses, general and dry goods stores.

The Opportunities in the Retailing Field. One can readily see that there must be many openings and opportunities for beginners in an occupation that employs so many people and enjoys such a large volume of business.

The number of openings is large because each year some of the workers go into other fields; others, among the women, leave to get married; and some retire. Many stores expand and need additional employees. Some stores fail and, of course, drop their employees, but such failures are more than offset by the opening of new stores.

There is opportunity in the retail field for many kinds of workers. A large department store, for example, is like a small community. In it one may find a few expert, highly trained, and efficient leaders, and also a large group of workers of medium or average ability who hold the rank-and-file jobs, such as selling, cashiering, inspecting, and stock work.

Types of Positions in Retailing

The positions in the field of retailing may be divided into four classes:

- (1) Junior nonexecutive jobs.
- (2) Senior nonexecutive jobs.
- (3) Junior executive positions.
- (4) Senior executive positions.

The nonexecutive jobs are those that do not involve supervising and directing other people, whereas the executive positions are those that involve responsibility for the work of others.

Junior Nonexecutive Jobs. In many stores the beginning employee is given a job requiring little experience. Such jobs carry very little responsibility or opportunity for individual decision, judgment, or action; nevertheless they are routine jobs that must be performed.

Such jobs offer opportunities to learn to handle equipment and to become acquainted with the merchandise and the store system, all of which are necessary for the senior jobs of the store. These jobs on the junior level are the stepping stones to selling and other senior positions, provided the junior worker shows an interest in the job just ahead. Of course he must do his work well enough to merit a promotion.

Since the duties of the junior nonexecutive jobs vary greatly in different stores, an accurate statement of the work performed by each junior is not possible. For details of all the kinds of work done in junior nonexecutive jobs, reference should be made to *Job Descriptions for the Retail Trade*, a three-volume work of the United States Department of Labor.

Senior Nonexecutive Jobs. The salesperson is the chief nonexecutive senior worker, although there are many others. Some of the more common of these others are listed on page 8. There are senior nonexecutive jobs in all four branches of a large store—merchandising, publicity, management, and control.

CHIEF JUNIOR NONEXECUTIVE JOBS IN RETAILING

1. **Inspector**—Compares price ticket on goods sold with sales check and makes sure that everything called for on the sales check is at hand, ready for wrapping.
2. **Wrapper**—Wraps goods for customers after they have been sold. The jobs of inspector and wrapper are often combined.
3. **Stock boy or girl**—Arranges stock in the stock room and carries it to and from the selling floor. Those moving goods from receiving to stock are called distributors. Those moving sold goods to wrapping and delivery are called collectors.
4. **Order filler**—Assembles goods in stock room for delivery, guided by information on sales checks for send merchandise.
5. **Messenger**—Runs errands in connection with activities on the selling floor. May bring change or supplies, carry goods to wrapping desks, and call the section manager when needed.
6. **Marker**—Attaches price tickets to merchandise, generally in the receiving room.
7. **Floor cashier**—Takes sales checks and customers' cash from salespeople and hands back change.
8. **Mail-order clerk**—Sorts customers' orders received by mail, enters them on standard forms, and delivers these forms to the salespeople who are to fill them.
9. **Clerical worker**—Does filing, mailing, and recording work in an office.
10. **Driver's helper**—Assists the deliveryman in his work.

The position of salesperson is not only the logical position to which to be promoted from stock inspector and wrapper, but it is also the one essential job that everyone should experience if he is to rise in retail merchandising. It is true that a few executives may be found who have not had selling experience, but they will admit that they have been handicapped by this lack.

A person who is happier at selling than in supervising or selecting stock or in assuming responsibility over others

SOME SENIOR NONEXECUTIVE JOBS

1. Salesperson—Serves customers and attends to related stock work.
2. Head of stock—Is responsible for arrangement, display, and amount of the stock on hand.
3. Secretary—Works in an executive's office, takes dictation, types, files, and arranges appointments.
4. Adjustment clerk—Interviews orally or by telephone customers who have complaints, and settles routine complaints.
5. Tracer—Works out of the adjustment office and follows up complaints that involve non-delivery of ordered goods.
6. Bookkeeper—Makes entries of transactions in the store's official records.
7. Deliveryman—Drives a truck, makes deliveries to customers.
8. Receiving clerk—Receives incoming goods from deliveryman, issues receipts.
9. Merchandise checker—Opens incoming merchandise and compares the goods with the accompanying invoices.
10. Comparison shopper—Compares goods and prices in his store with those in competitors' stores in order to keep assortments and prices right.
11. Nonexecutive assistant—Aids the executives in various nonselling departments without assuming executive responsibility. Assists in the training bureau, the employment bureau, and the advertising department.

should prepare to become a professional salesperson. A truly expert salesperson in lines that require a high degree of selling ability can earn a very comfortable living without the worries of the executive jobs.

Regulars and Extras. Some of the junior and senior nonexecutive jobs, in particular the positions of wrapper and salesperson, are often filled by "extras"—people that are employed for a few hours or a few days each week. The retail business is highly seasonal: December is commonly much more important than any other month; Saturday more important than any other day of the week; and the hours of 11 to 3 more important than the earlier and later hours. To handle such peak periods stores hire three classes of extra workers: (1) part-time workers, who work during the busy hours of the day or on the evenings the store stays open; (2) per diem workers, who work a few days each week and (3) seasonal extras, who work, often full time, during the Christmas and Easter rush seasons or during special sales.

The regulars comprise the basic force that is employed full time and that is primarily responsible for maintaining the policy and service standards of the store.

The use of "extras" provides an excellent opportunity for the beginner to get a start. There are more openings for extras than for regulars, and the best of the extras are usually offered jobs as regulars when the basic force is expanded or when a regular leaves or is transferred.

Junior Executive Jobs. The salesperson anxious to become an executive usually aspires to become an assistant buyer, a section manager, or, in the case of a chain or a small store, an assistant store or department manager. Not every salesperson who produces a large quota of sales is qualified to perform the work required in these jobs. As already pointed out, some salespeople may be better suited to be professional salespeople. Again, some salespeople are unable to grasp the meaning of the figures with which a buyer must work.

Salespeople who are more interested in people than in merchandise and analysis may find that they are better fitted for the position of section manager than that of assistant buyer.

Other junior executives include assistant managers of the various nonselling departments of the store.

Senior Executive Jobs. The senior executives of a store are the buyers of different selling departments, the heads of the nonselling departments, the managers of the store units of a chain, and the heads of the firm.

Opportunities in Small Stores. In small stores it is not possible to draw a distinct line between the four grades of jobs described above. So few people are employed that every employee must to some extent be a jack-of-all-trades. The owner, who is the main executive, may even do such work as sweeping the floor, wrapping packages, or acting as cashier. Thus it is difficult to make specific job analyses for a small store. The chief duty of practically everyone in a small store is selling, and the progress of any employee will largely depend on how well he performs this duty.

Opportunities on the Job

There are at least six requirements of a good job from the employee's point of view: (1) he wants adequate pay, primarily in the form of money, but also in the form of discounts on his purchases that make his pay go farther; (2) he wants reasonable hours of work; (3) he wants satisfactory working conditions; (4) he wants security, or the assurance of a continued job and a steady income; (5) he wants recognition as an individual; and (6) he wants an opportunity for advancement.

Wages and Incentives

Wages in retailing compare favorably with those in other fields of work, and the top salaries for both men and women are very good. Typical wages of retail employees are shown in the table on the opposite page.

The figures in the table do not show the actual "take home pay." In order to figure how much a salesperson would actually get in his envelope, it is necessary to deduct social security taxes, income taxes, and sometimes insurance premiums and savings for the purchase of government bonds. Some employees also allow union dues to be deducted from their pay.

TYPICAL WAGES PAID TO RETAIL EMPLOYEES

	Weekly Wages
Junior jobs	\$ 18—30
Salespeople	25—45
Salespeople in heavy departments (furniture, furs, etc.)	40—90
Section manager	35—50
Assistant buyer	40—75
Buyer	75—250
Personnel interviewer and training assistant	35—60
Personnel clerk	25—40
Training director	65—125
Employment manager	75—150
Beginners in the advertising department	25—40
Copywriters	50—125
Advertising manager	100—250

A salesman of furniture in a large department store earned \$75.00 one week. The payroll clerk figured his pay as follows:

Gross amount earned	\$75.00
Less 1½ % social security	\$1.13
Income tax withheld	7.00
Health & accident insurance premiums ..	.50
Life insurance premiums .....	.75
No payroll savings	
No union dues this week	
No union dues this week	

State Distable 9.38

Actual "take home pay" \$65.62

Wage Plans. The usual plan in the great majority of stores is to pay employees a definite wage. This is called the straight salary plan. The same amount is paid the employee every week regardless of his sales.

While many salespersons work under the "straight salary plan," many others work under a plan called "salary and commission." Under this plan the salesperson receives a basic salary and then an additional amount depending upon his sales. This additional amount is usually around 1% of his sales. Thus a salesperson receiving \$28 per week as

WAGE PLANS

1. Straight salary
2. Salary and commission on all sales
3. Quota—bonus plan (Salary with commission above a certain amount of sales)
4. Supplementary incentives, such as the P. M. (premium money)
5. Straight commission
6. Profit sharing

his basic pay will be paid an additional \$4 if his sales amount to \$400. His total pay will then be \$32. If his sales amount to \$500 he will get \$33 for the week.

A variation of the salary and commission plan is known as the quota plan and is quite popular among salespeople. Under this plan, a definite amount that the salesperson must sell, called a quota, is set for him by the executive in charge. If he sells above this quota, a certain percentage of all his sales above the quota will be paid to him in addition to his basic pay. This quota plan can be used effectively for whole departments as well as for individuals.

The straight commission plan is preferred by retail salespeople who want to earn in accordance with their individual abilities. A flat commission, such as 5% of sales, may be agreed upon. This will result in the salesperson receiving \$5 for every \$100 in sales. The amount he can earn is limited only by the amount he can sell. Often, under this plan, a weekly drawing account is granted with semi-annual settlements on the basis of the agreed percentage. This assures the salesperson of a living wage even in the dullest weeks of the year.

A financial incentive for the salesperson that supplements other methods is the P. M. (premium money). It is a reward for selling a specific article. For example, a 25-cent P. M. may be placed on a style of shoe that has not sold well in order to move it out of stock. There is some danger, however, of the salesperson using high-pressure selling in order to win the P. M.

FEATURES OF A GOOD WAGE-PAYMENT PLAN

1. It should enable work to be produced at low cost to the store and at the same time provide a high wage.
2. The system of payment should consider work accomplished as well as the time spent on the job.
3. If a certain number of hours of work are required by the management, there should be a basic wage.
4. Extra compensation should be provided for extra effort, and the reward should be substantial and prompt.

Sometimes the employee receives a prize or reward for exceptional performance, such as selling the most merchandise during a sale.

Profit-sharing plans are becoming increasingly common in chain stores. Under this plan each store manager receives a share of the profits of the store he manages in addition to his salary. Department stores, too, often pay buyers a percentage of the profits of the department, or a percentage of the increase in profits or in sales, in addition to the basic salary.

Other Financial Benefits. Most stores partially compensate their employees by providing them with an opportunity to save money. This may be done by giving discounts ranging from 10 per cent to $33\frac{1}{3}$ per cent on purchases in the store. This practice builds goodwill and, in a clothing or a department store, gives the employee an opportunity to buy better clothing and thus to make a better appearance. Since the employee shops during dull hours of the day and usually takes his purchases with him, the store can well afford to offer substantial discounts for employee business. Large stores also maintain lunchrooms where well-balanced meals are sold at less than market prices, and they provide medical, dental, and occasionally legal aid at a nominal cost. Some stores have a vacation camp that the employees can attend free or for a modest fee. Such services make it possible for the salesperson to get more in return for his money than he otherwise could.

Hours of Work

Years ago it was common for retail employees to work as much as 72 hours a week, but now the work week seldom exceeds 48 hours, and in many stores it is 40 hours or less. Although retail stores are not subject to the Federal Wage and Hour Law, many observe its requirements as a matter of policy. This is sometimes arranged on a five-day basis so that each employee gets a day off each week in addition to Sunday. In some stores executives work longer than the hours specified for ordinary employees, but there is a tendency to shorten the hours of executives also. For example, one of the largest stores in the United States recently put everybody, from the president down, on a five-day week.

Vacation privileges are also becoming more liberal. One of the most common plans is to give an employee a week's vacation with pay after a year's service, and two weeks after two years' service. Some stores are giving a winter vacation as well as a summer vacation.

Working Conditions

Working conditions in stores have continually improved. Better lighting, air conditioning, and double doors and revolving doors to minimize drafts have made store interiors much healthier places in which to work than was true a generation ago. There has also been an improvement in locker room and rest room facilities. In many stores women employees are required to take a fifteen-minute rest period every afternoon.

The relations between executives and employees have also improved. The principles of executive leadership are being taught to executives in many stores so that they are learning to handle people much more intelligently.

Security

In the past retailing has had a reputation for insecurity. Sales are seasonal and they also show sharp increases and decreases over a period of a few years. When sales drop, employees are laid off to keep expenses in line.



AN EMPLOYEE RESTAURANT

Wages are often supplemented with other forms of remuneration. Thus, in some stores employees may obtain meals at less than market prices.

A considerable degree of security, however, is now being achieved, at least in the larger organizations. Seasonal needs for more help are met by part-time and temporary salespeople who neither need nor expect assured jobs. Students, for example, are often available for the Christmas rush. Then there are many former employees who do not wish regular work, but who are glad to be called back for seasonal rushes and for special sales.

The rise and fall of sales over periods of from three to seven years, caused by business cycles, are hard to handle. Stores are, however, trying to develop basic sales forces that can be assured of permanent jobs. One store now gives contracts to older employees for a year ahead, guaranteeing them a certain number of days' work during the year regardless of business conditions; thus these employees are relieved of the dread of losing their jobs at any time through no fault of their own. Then, of course, the social-security laws provide store employees a degree of protection when they are temporarily unemployed.

The federal government operates an old-age pension plan to which a percentage of wages is contributed by the employee and an equal percentage by the employer. Thus the fear of unemployment due to old age is at least partially removed. Some stores supplement this required insurance with pensions of their own.

During the past decade there has been a trend toward unionizing store employees, and this has increased job security. Individual department managers are no longer able to discharge employees because of personal dislike. All discharges must be handled by an employment committee, and the rights of the employee are given full consideration.

Recognition

What employees want most of all is personal recognition. No one likes to be merely a cog in a machine or to be ordered about by superiors who have no interest in their employees as individuals.

Stores are now recognizing this human desire and are meeting it in various ways. As already indicated, supervisors are being trained in how to handle people. Employees are being urged to make suggestions for the improvement both of operating methods and of their own working conditions. In connection with unions, grievance committees are set up to which any worker may bring a complaint with no fear of a reprisal from his superior whom he may be criticizing. In a few cases employees have the right to vote on store policies that directly affect their interests; thus they feel they have the power to better their own environment. Some stores have welfare departments where employees can go for a sympathetic hearing of any of their problems, whether they involve home or store difficulties.

Individuals are given recognition by means of various kinds of competition. For example, sales contests, with prizes for those who sell the most or with time off for the winners, are very common. Store athletic teams, particularly baseball and basketball teams, also give the individual an opportunity for recognition among his fellows. Social activities, organized dances, and clubs all give the indi-

HOW ONE STORE PROVIDES RECOGNITION AND SECURITY FOR ITS EMPLOYEES

I. Recognition

- a. Day-by-day recognition by immediate supervisor.
- b. Merit increases within a salary range.
- c. Consideration of every employee for the job ahead when he reaches the top salary for his job.
- d. Promotion from within rather than from without, as a rule.

II. Security

- a. Assurance of equitable treatment for all: same penalties for the same infractions of rules.
- b. Organized procedure in advance of discharge: caution, informal warning, formal warning, review, discharge.
- c. Consideration of those laid off, for other job opportunities elsewhere in the organization.
- d. Provision of severance pay after a year of service.
- e. Provision of pensions at retirement age.

vidual an opportunity to feel of some importance. Some stores publish a store magazine, called a *house organ*, that gives personal information about different employees and also gives hints for better selling. The information is often collected and edited by interested employees themselves. This affords another opportunity for employee recognition.

Advancement

Every employee craves advancement of some sort. Some employees want more responsible jobs; others want an opportunity to earn more at their present jobs or in similar jobs. In the past increases in pay and promotions have often depended on the whims of executives, but the policy that is gaining wide acceptance is to keep objective records of the work of individual employees and to base advancement on these records.

Ratings. Many stores are keeping a record of each employee's production on the job, his absence and tardiness, his increases and decreases in salary, and his personality traits; in fact, a complete record of the employee's store history is on file. From these records the store can determine whether to continue the employee in his present position, to transfer or advance him to another job, or perhaps even to terminate his services.

In small stores the proprietor rates his employees. He decides when their efficiency entitles them to a raise in salary. Sometimes the employee rates himself. "I'm worth more than I'm getting here," he reasons, and then he applies for a raise.

In large stores a fair and accurate rating is most easily obtained by means of a rating sheet that measures both performance and personality. (See page 19.) Once in six months the ratings are reviewed by a committee. On the basis of these reviews wage adjustments are made.

Promotion. Most stores have a policy of promotion from within. If the employee performs well in his present position and studies the duties, the qualifications, and the opportunities of the job directly above his present one, the probabilities are that his interest and his ambition will be noted and rewarded. Many disgruntled store workers, failing to get promotions, blame the next fellow's advancement upon "pull." There is no question about the fact that being well thought of by some store executive will be an important factor in securing a better position. So-called "pull" is frequently merely good salesmanship used in convincing a superior of one's fitness for a bigger job. A store cannot afford to promote shirkers or those who are not competent.

Promotion Charts. In order to give a graphic picture of the possible advancement from job to job in retailing, two promotion charts are presented on pages 20 and 21. In studying the line-up of jobs, it must be remembered that the charts cannot possibly apply to every retail store. Promotions, duties, and even names of positions vary greatly with the type and the size of the retail organization. For

NAME _____

STAFF NUMBER _____

RATING SHEETHOW PROFITABLE IS THIS SALESLER TO THE DEPARTMENT AND TO THE STORE:IN PUBLIC RELATIONSHIPS?Excellent ☐ Good ☐ Doubtful ☐ Unsatisfactory ☐

Please explain your rating as specifically as possible. Consider any or all of the following factors and any others that you feel may build goodwill.

Alertness to service

Friendly interest

Ability to create customer satisfaction

Appearance and appropriateness of type to department

Courteous manner, voice, and speech

What do you think this person should be told about improving her public relationships? Try to be concrete.

IN VOLUME?This person's volume record will be rated at the Job Review on the basis of Controller's Office figures.

Do you know of any factors, assignments, or local situations that you think may have affected this volume favorably or unfavorably during the period under review?

IN STOCK WORK AND THE MECHANICAL ASPECTS OF THE JOB?Excellent ☐ Good ☐ Doubtful ☐ Unsatisfactory ☐

Consider:

General helpfulness in department

Accuracy

Any other factors that you believe have a bearing on these aspects of the job

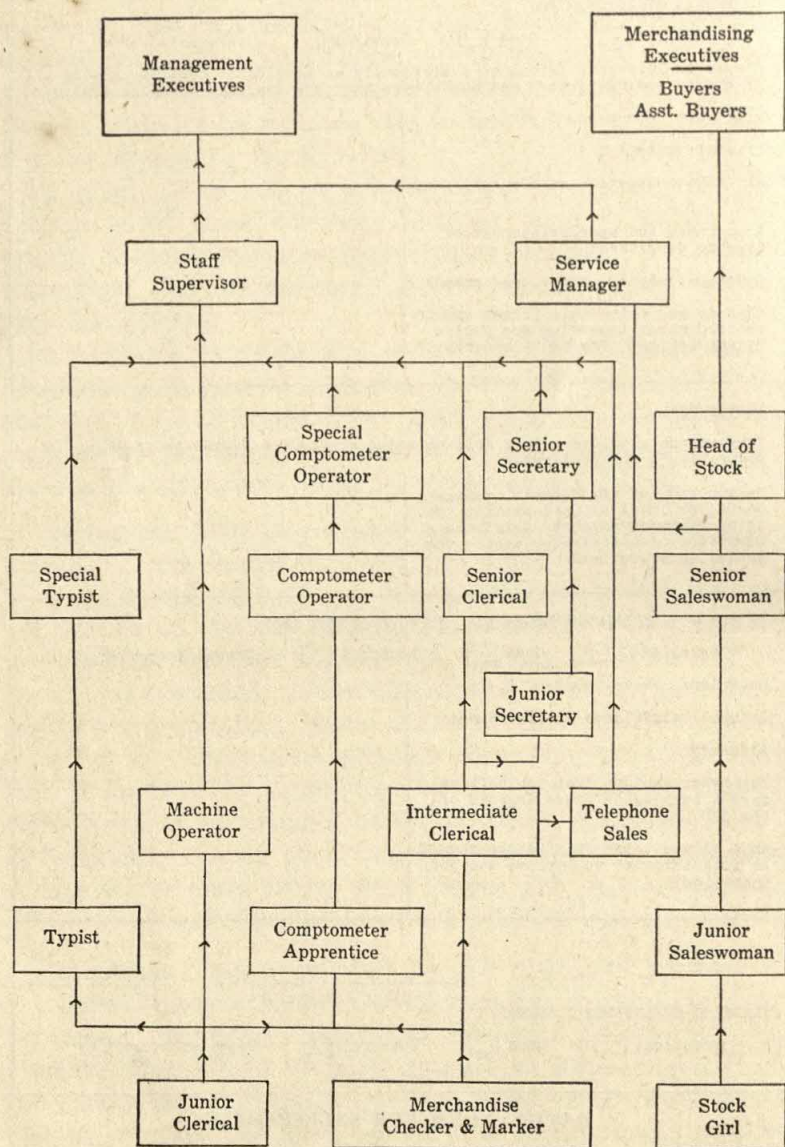
What do you think this person should be told in order to improve the job operation?

TRAINING SUPERVISOR'S SUMMARY

Rater's Signature_____
DateExcellent ☐ Good ☐ Doubtful ☐ Unsatisfactory ☐**RATING FORM FOR SALESPeOPLE**

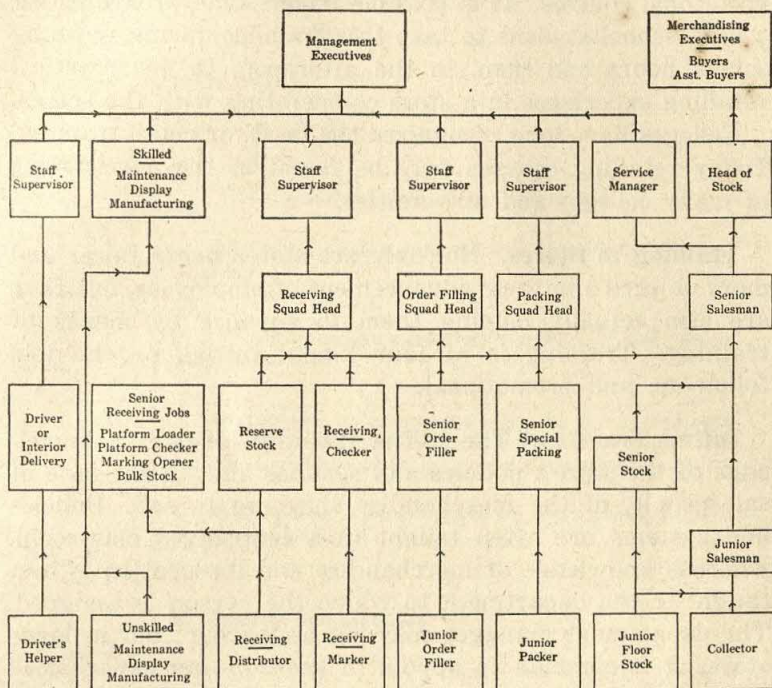
This form is used by a large store to rate its salespeople. On the basis of this rating, wage adjustments are made.

PROMOTIONAL OPPORTUNITIES FOR HIGH-SCHOOL GRADUATES—GIRLS



Courtesy: Miss Helen Hyde, employment manager, Macy's, New York

PROMOTIONAL OPPORTUNITIES FOR HIGH-SCHOOL GRADUATES—BOYS



Courtesy: Miss Helen Hyde, employment manager, Macy's, New York

instance, in a one-man store there are no promotion opportunities. The owner-manager must perform the jobs of the junior level as well as those of the executive level. In stores where three or four people are employed, all but the manager may be called *salespeople* even though they are responsible for other duties besides selling. The two charts show the actual promotional opportunities that have developed most frequently in a very large department store. While there are more kinds of management jobs than merchandising jobs, the latter offer the surer route to all major executive jobs.

Training

Retail Training in High Schools and Colleges. So important has training for retailing become, that many high

schools now offer it as a regular part of their business or vocational courses. It is possible under some programs for a high school student to take this training during morning school hours and then, in the afternoon, to get practical retailing experience in a store co-operating with the school.

Colleges have long recognized the need for retail training. Today retailing courses may be found in the curriculums of many colleges and universities.

Training in Stores. Not only are stores being fairer and more objective in their advancement of employees, but they are also actually helping them to advance by means of training. Training is of four kinds: initial, on the job, follow-up, and promotional.

Initial Training. The initial training involves a knowledge of the store's policies and systems and, in the case of salespeople, of the merchandise they are to sell. Policies and systems are often taught in a centralized classroom, whereas knowledge of merchandise and its location is best taught in the department to which the person is assigned. The department manager may act as teacher; but in large stores it is common to appoint a *sponsor*—an experienced salesperson who is specially qualified to teach. It is the sponsor's duty to help the new employee over rough spots and make him feel at home. The sponsor works with the salesperson, assisting him in learning the location of stock and selling points about merchandise and in writing his sales checks. The sponsor also takes care of the newcomer socially. He introduces him around, takes him to lunch, and shows him the rest rooms, libraries, and other store facilities. Through the sponsor system the store shortens the training period, builds store loyalty, and reduces labor costs.

The sponsor-salesperson may be paid in a number of ways. His salary adjustments may be based on the number of new employees he handles, but more frequently it is based on the new salesperson's sales. Some stores give the sponsor extra vacations.

SPONSOR'S REPORT

Date _____

Please rate:

Either A (good)

B (fair)

C (poor) in each of the following:

☐

1. Ability to make out checks and operate the register unaided.

☐

2. Ability to handle customers courteously and intelligently and sell.

☐

3. Willingness to co-operate with the other members of the department pleasantly and assume responsibility in stockkeeping and in the other departmental duties.

☐

4. Willingness to be governed by store regulations in time, dress, etc.

☐

5. Interest and ambition.

☐

6. Personality and appearance.

☐

7. Is the clerk in your opinion able to sell unaided, or does she need further training?

☐

8. Is the clerk capable of using the measuregraph correctly?

☐

9. Do you consider her the right type for your department and for our store?

Remarks:

A SPONSOR'S REPORT

This form is used by a sponsor to report on a new salesperson he has trained.

Training on the Job. The most important training a new person receives is the instruction given right on the job. In the case of salespeople, customers themselves, through their requests and questions, provide training on the job. Individual supervision on the job by the manager or the supervisor is supplemented by weekly meetings at which the manager presents merchandise or selling information to salespeople. The average manager in a selling department today is much more of a teacher than was his predecessor of some years ago. In promoting people to executive positions, merchants realize that one of the chief qualities needed is the ability to teach.

Follow-Up Training. This is refresher training given to store employees on special phases of work where they are not doing so well as they might. Salespersons may not have grasped their system-training adequately and additional training may be needed. Other salespersons may need training in salesmanship. Errors of employees are carefully checked and additional follow-up training is given to eliminate these errors.

Advancement and Promotional Training. Special training in advanced subjects such as merchandising, color, line and design, advertising, and other related subjects are often given. Executives are trained for future store positions in courses similar to these. Some stores urge employees to take evening courses in local schools and colleges, and sometimes pay part of the tuition. Many stores have employee libraries stocked with the leading books and pamphlets on retailing and on merchandising so that ambitious employees may educate themselves.

Small Store Ownership

Opportunities to become owners are better in retailing than in almost any other field of business because capital requirements are not large. Many thousands of stores are opened each year. Most of these new merchants received their initial training as employees in other stores. Stories of young men and women who have started at the bottom

in retailing and have reached the top through ambition and hard work are doubtless true. Merchants who serve a growing community well or who introduce a new method of operation are appreciated by the public. The possibility of finding new ways to serve retail customers is still here and financial independence is still possible for those who offer better merchandise, better services, or lower prices.

There is a great satisfaction in being the "head man" in one's own business, and everyone at some time or other has dreamed of "going in for himself." Retailing gives one a chance to make his dreams come true.

Opportunities Ahead

Retailing is a remarkable "school of experience," and the knowledge of people, of goods, and of business procedure gained in retailing can be used in many other fields.

One young lady, after being employed in retailing for three years, stepped into a position as fashion editor of a popular magazine. Now, one might say that the two types of work had nothing in common, but it was her knowledge of fashions and her experience in dealing with women as consumers that made her a success in her new field.

Rubbing shoulders with the public, meeting different kinds of individuals, and catering to their needs and wants develop personal qualities that are of the greatest value in other types of work.

So retailing is the gateway to many other goals, if you do not wish it to be an end in itself.

BUILDING A RETAILING VOCABULARY

Following is a list of terms commonly used in retailing. Study these words; try to make them a permanent part of your vocabulary by using them often.

Drawing account—A record of sums withdrawn by the salesman who works on straight commission. The total of this account is deducted from the amount of his computed earnings and the balance is paid to him.

Junior nonexecutive job—A beginning job in retailing involving no responsibility for the work of others.

Premium money—An additional bonus paid to salespeople for "pushing" certain items, usually of a slow-selling nature.

Refresher training—Training given to employees on special phases of retailing in which they need brushing up. It is sometimes called follow-up training.

Section manager—A junior executive job which involves the responsibility of service to customers and employees and the enforcement of the system and rules of the store.

Tracer—An employee who investigates complaints that involve nondelivery of ordered goods.

QUESTIONS ON THE CHAPTER

1. a. In round numbers, how many stores are there in the United States?
b. Approximately how many workers are employed by these stores?
2. What are the four main reasons for stores needing additional workers each year?
3. What are the ten chief kinds of junior nonexecutive retail jobs? Explain each.
4. What are eleven senior nonexecutive retail jobs? Explain each.
5. How does the type of work of an employee in a small store compare with that of an employee in a department store so far as specialization is concerned?
6. What are the six requirements of a good job from the employee's point of view?
7. a. What is the usual plan for paying the employees in a great majority of stores?
b. How may a basic salary be augmented?
c. What is meant by a *P. M.*?
8. Name common deductions from gross pay in order to get "take home pay."
9. a. What are the four features of a good wage-payment plan?
b. How may a store provide opportunities to help employees save money?
10. Explain:
 - a. Straight salary wage plan.
 - b. Commission plan.

11. How have stores improved the working conditions of employees?
12. *a.* Why has retailing had a reputation for insecurity of employment in the past?
b. How have stores attempted to solve the problem of seasonal needs?
c. How are stores attempting to solve the unemployment problem caused by business cycles?
d. What is the federal old-age pension plan? Explain briefly.
13. What advantage has come to employees from their being unionized?
14. *a.* What do employees want most?
b. What is a grievance committee?
c. What is a house organ?
15. What are some of the items that may be included in an employee's store record?
16. What are the opportunities for workers in retailing?
17. *a.* What does the initial training of a store employee generally include?
b. What is a sponsor?
c. What are a sponsor's duties?
d. How is a sponsor paid?
18. *a.* What is the most important training a new person receives?
b. What is meant by *follow-up training*?
19. What are the opportunities to become owners of retail businesses?
20. How can retailing be used as a stepping stone into other fields?

PROBLEMS FOR DISCUSSION

1. In what branch of a department store would each of the following types fit in?
 - a.* An artistic temperament.
 - b.* A person who is good at figures.
 - c.* A socially minded individual.
 - d.* Routine manual worker.
 - e.* A person who is literary minded.
2. What advantages are there in starting a retail career in a small unit store rather than in a large department store?
3. What advantages are there in starting a retail career in a large department store rather than in a small store?

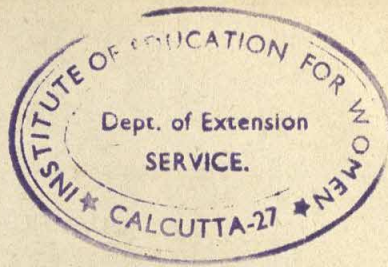
4. The table on page 5 indicates that some types of retail stores grew much more rapidly from 1946 to 1949 than did other types.
 - a. Can you explain why?
 - b. If there is a recession in business, which types of stores are most likely to suffer only small losses in sales? Why?

WHAT WOULD YOU DO IN THESE CASES?

1. A junior executive in a store was given successive increases in responsibility but no raises in pay. In order to force his employer to pay him an amount commensurate with his worth, he applied for a job with a competitor. He was offered a much larger salary and honestly told his employer that he would have to accept the offer if his employer would not meet the salary offered elsewhere. He got the raise and eventually became general manager of the store. Was his plan for securing a raise ethical? Explain your views.
2. The president of a great association of stores apparently does not believe in the policy of promotion from within. Although he believes in training employees for the job ahead, when an actual selection is to be made to fill a position, he hires the best man available, whether that person is in the store or outside. The insider has an advantage only in that he is familiar with the store and that the store is better able to evaluate his worth. Is this viewpoint sound or should the people in the store be given more consideration?

THINGS TO BE DONE

1. A salesperson was hired on a 4 per cent commission basis but was given a weekly drawing account of \$27. At the end of six months (26 weeks) the total net sales of this salesperson were \$19,000. How much should the salesperson be paid above his drawing account?
2. As a member of a committee from your class you may be asked by your instructor to call upon a large store or a small store to find out the store's procedure in employing and training new people, in providing security, in rewarding them, in advancing them, and in providing recognition for them. Be prepared to make a report of your findings to the class.



CHAPTER II

ARE YOU QUALIFIED?

The Physical Qualities

The Story of Julia Brown. It was Julia Brown's appointment hour with the personnel director of a large department store. She walked into the office on time and waited for the director to ask her to be seated. The director looked up. He saw before him a girl of medium build and attractive appearance. She carried herself well and was neatly dressed in a dark blue dress trimmed with white. "Miss Brown," he said, "we have noticed that you have been leading your department in sales for the past six weeks." Miss Brown smiled. Her teeth were clean, her eyes bright, and her complexion clear. "The girls usually keep up with me until about four o'clock," she said. "Then there seems to be a letdown. I suppose they're tired. This gives me a chance to get ahead."

Miss Brown, in that short interview, showed many of the qualifications needed for store work.

Health. It was evident to the personnel director that Miss Brown was healthy, alert, and energetic. She had the physical stamina, because of proper living habits, to keep up her interest and her enthusiasm to the very end of a long day. She was free from physical defects, carried herself well, looked directly at the speaker, and responded outwardly to what he had to say.

Miss Brown is an example of the successful salesperson who follows the simple rules of health. Apparently she had learned to eat proper food, to drink plenty of water, and to exercise regularly. She probably got plenty of sleep in a well-ventilated room. Her good health kept her cheerful and enthusiastic; it supplied her with the reserve energy needed in store work; and it helped make her more attractive in appearance.

QUALIFICATIONS FOR STORE WORK

A study made by the National Retail Dry Goods Association shows that the following qualities are needed for employment and promotion in retailing:

Good personal appearance—the salesperson should be well groomed and should dress appropriately for business.

Correct speech—the salesperson should be able to express his ideas accurately and effectively.

Acceptable social conduct—the salesperson should be able to co-operate with others.

Correct English—the salesperson should be able to speak and write correctly.

Skill in arithmetic—the salesperson should be able to figure rapidly and correctly.

Pleasant voice—the salesperson should possess a well-modulated, pleasing voice.

Legible writing—the salesperson should be able to write quickly and legibly.

Knowledge of hygiene—the salesperson should possess a knowledge of the rules of health and hygiene.

Posture. A popular magazine reports that a beginning actress is taught correct posture in standing, sitting, and walking for three weeks before she appears in a picture. This shows the importance of posture in personal appearance. Posture gives poise and grace. Store directors know that a slouchy posture usually accompanies a slouchy mind. Correct carriage adds to one's self-confidence. Fortunately correct posture may be attained by all who strive for it.

Grooming. A well-groomed person is one who devotes time and attention to the many little details about his appearance. A man who shaves carefully, who brushes his teeth, who combs his hair, who pays attention to his fingernails, and who sees to it that his shoes are shined, his linen is clean, and his clothes are pressed is considered well groomed. A woman who uses cosmetics correctly, who



Ewing Galloway

SUITABLE APPEARANCE

The sales girl is appropriately dressed and groomed for her job of selling. Her appearance is enhanced by a cheerful disposition and a ready smile.

is careful about her hands, and who wears attractive, clean clothing is likewise considered well groomed. Above everything, well-groomed people possess habits of personal cleanliness.

Dress. Many stores issue to their new employees a handbook that includes rules about dress. These booklets explain that because store employees come into daily contact with the public they should be properly dressed. Personnel managers want people who dress conservatively and in good taste. While rules for clothing differ somewhat in different stores, the underlying rule of every store is to avoid attracting the customer's attention to the salesperson's clothing and thus taking the customer's attention from the merchandise. Attention should always be centered on the goods for sale. The clothing of those who sell should be of dark or neutral colors and of a material that

DRESS REGULATIONS IN A LARGE NEW YORK DEPARTMENT STORE

The following are the clothing regulations of a large New York department store, for the period from September 15 to June 1.

WOMEN

TYPE: Tailored, business-type dress, one-piece, or two-piece if jacket is fitted. With a suit the coat must be worn and kept buttoned, unless the blouse or the sweater matches the skirt and is not sheer. Sleeves should be at least five inches from the underarm seam.

MATERIAL: Silk crepes, synthetics, or woolens. Sweaters and knit suits if worn over a suitable foundation. No velvet, velveteen, corduroy, satin, taffeta, or silk jersey.

COLORS: Solid colors in black, brown, and navy blue.

TRIMMING: White, beige, or flesh. Gold or silver piping, not more than a quarter of an inch wide. Belts should be the same color as the dress.

SHOES: Business type in solid colors of black, brown, or navy.

MEN

SUITS: Business-type suits in black, brown, blue, oxford, or business grey. Shirts and collars must be white. Collars must be stiff whether attached or separate.

All salespeople, stockpeople, section managers, floor superintendents, and office employees who come in daily contact with customers are subject to these dress regulations.

will stand wear. The dress should not be unusual in cut, design, or color, nor conspicuous in any way. Extremes of any kind are out of place in business.

Clothes should have proper care. If they are given the daily attention they need, the employee will always appear well dressed. It will be found economical to buy clothes of good quality as they are more durable and generally more attractive.



SUITABLE CLOTHING

Ewing Galloway

Many stores, especially food stores, dictate the kind of clothing that may be worn by their salespeople.

Voice. The tone of the voice that holds a listener's attention is generally smooth and well modulated. Even if the speaker uses correct English, the listener will not be impressed if the tone of voice is dull or monotonous. A voice that is pitched too high, that is too loud, or that has a noticeable nasal twang may be annoying to a customer. Since it is the responsibility of the employee to put the customer in a pleasant frame of mind, he should strive to cultivate a voice that is pleasing. To do this he should make a careful analysis of his speaking voice and should attempt to correct his voice errors. He will be helped in making this analysis if he can have his voice recorded and can then listen to it as it is played back. A good test for the voice is to check it while speaking over the telephone. Does your listener understand what you are saying? Do you have to repeat often? If attention is given daily to enunciation, shading of vowels, and general tone, much can be done to improve speech habits.

Mental Qualities and Personality

Character Qualities. The physical qualities just discussed will attract friends; if they are possessed by a salesperson, they will attract customers. But physical qualities alone will not hold friends or customers. Physical qualities may be compared to the covering of a book. The real worth is within. Such character qualities as honesty, industry, initiative, co-operation, punctuality, ambition, loyalty, self-

control, and dependability make up a person's character. These qualities are not usually evident upon meeting a person. It is only after working or being with that person for some length of time that these qualities assert themselves.

How Can I Make My Co-workers Like Me?

- Be genuinely interested in them.
- Be a good listener.
- Encourage others to talk about themselves.
- Be kind and understanding.
- Smile—The smile is a great maker of friends.
- Be honest in all things, in business and personal matters.
- Be dependable—retain confidences given you.
- Be unselfish.
- Develop self-control.
- Be loyal to your management.

—From the Sponsor's Manual.

DEVELOP YOUR SOCIAL QUALITIES

The salesperson must get along well with other people—fellow workers as well as customers. Here are ten things to do if you want your fellow workers to like you.

other weakness in a salesperson before he will excuse discourtesy. Courtesy, tact under trying conditions, a good sense of humor, and a co-operative spirit are absolutely necessary for successful selling.

Social Qualities. How one acts in company may be termed one's social qualities. Ability to get along with people is a good indication of one's social qualities. Of course the salesperson needs these qualities. A good salesperson uses courtesy and tact. In fact a customer will excuse any

Hobbies and Interests. When a successful insurance salesman was asked the reason for his success, he said, "I ride

a hobby." He went on to say that he found great happiness in his stamp collection. With this hobby as a base, he was introduced to other persons with hobbies. He talked with people who were collecting old guns, china, or books. He found that people with similar interests are sympathetic and understanding. He became keenly interested in other hobbies and sports. This gave him an easy approach to many prospective customers. He became a man of many interests. Sports, dancing, music, games, reading, and building hobbies gave him a broad outlook and made him an enviable man to whom to talk.

The secret of a man's ability to influence others is his ability to become genuinely interested in the interests and the problems of everyone with whom he comes in contact. Most people are primarily absorbed in themselves and in a few narrow activities. Those who can forget themselves in the interests of others are the best-liked.

Personality. The sum total of the physical qualities, the character traits, the social qualities, and the interests of a person make up what is known as his *personality*. It is very difficult to define personality. Personality is the impression one makes on most people; it characterizes the individual. Personality can be changed so as to make a person better liked and more influential. The state of health may alter personality. A knowledge that one possesses a good appearance will give self-confidence and will thereby help one's personality. Education and experience influence individual make-up.

Changes in personality may be brought about by a determination to alter certain traits. A good way to improve personality is to single out someone with a winning manner and to try to emulate him. If a friend is not only popular at social gatherings but also a leader in business or school activities, check his qualities and find out what makes his personality so effective. Whether or not a person has a strong, pleasing personality is easy to determine on the basis of his being accepted by other people and of their granting him their trust and confidence.

Psychologists have recently devised a test to measure a person's personality quotient (P. Q.), just as they have devised tests to measure his intelligence quotient (I. Q.). They have found that the young men and women who interest and influence other people most are usually those who take part in active group games and sports, making full use of their physical energies during the day. They are also active in other group affairs and do not limit their social activities to members of their own sex. They work for their spending money; in fact, pampered children show a low P. Q.

The most important habit making for a good personality has been found to be self-discipline. Youngsters who always do as they please rank decidedly lower in their P. Q.'s than do those who do some things because they are necessary and right. Those who take an active part in doing things that are difficult for them broaden their interests and eventually get more out of life and are better thought of by other people.

It is the duty of the salesperson to be helpful to fellow employees with whom he comes in contact, and especially to new employees who are assigned to the department. Older salespeople sometimes fail to give newcomers a fair chance to succeed. A willingness to help other employees, even those holding minor positions, will bring happiness to everyone concerned.

Gossip often does untold harm. Repeating groundless rumors about fellow workers is a despicable action to which no salesperson should stoop. It is not only unethical, but it may hurt the morale of the whole force and may result in inefficiency and loss to the business.

Problems of human relations in selling are so important that an entire chapter will be devoted to them in Part IV of this book.

Loyalty to the Firm. The salesperson has responsibilities to his store as well as to his fellow workers and customers. He must therefore possess certain character qualities to a marked degree.

Honesty in regard to the store's money and merchandise is so generally taken for granted that a detailed consideration of the matter is unnecessary. There are other forms of dishonesty, however, in addition to stealing. Wasting the time of the employer is one of the most common. The salesperson with high ethical standards will be punctual in arriving at his place of duty and will be careful not to waste time while there. Minutes that are not otherwise employed in waiting on customers can be profitably employed in arranging merchandise and in getting better acquainted with the stock on hand.

Loyalty is a duty that the salesperson owes the firm that pays his salary. Sometimes questions arise regarding conflicting loyalties, when loyalty to one person results in apparent disloyalty to another. Such questions are especially likely to arise when an employee receives orders from two different persons over him in the organization. Just what constitutes proper conduct under such circumstances is difficult to decide. In general, however, the immediate superior should assume the responsibility for giving an order, and the employee who carries out his immediate superior's instructions should be considered in the right.

Loyalty to the store and loyalty to a superior officer to whom the employee is immediately responsible may conflict if the salesperson knows that dishonesty is being practiced in the department. In the consideration of problems of this kind, however, it may be accepted as a principle of conduct that loyalty never requires the shielding of a dishonest person. Loyalty to one's standards takes precedence over personal loyalties.

The salesperson is sure to obtain certain confidential information in regard to the store, including information about the amount of sales, salaries, cost of goods, profit on goods, and buyers' plans for special sales. This information should, of course, never be disclosed to anyone except to those who have a right to know. One of the very first lessons that an employee in any capacity should learn is to keep quiet about confidential matters. Even facts that

seem quite trivial should not be repeated if they concern the conduct of the business.

Willingness to accept responsibilities and to fulfill them successfully is a measure of the value of an employee. It is an employee's duty, therefore, as well as a real opportunity, to accept all responsibilities given him. The person who constantly complains "that is not my job" is not in line for promotion and is probably marked for early dismissal.

The salesperson has a duty to his firm as well as to himself to keep mentally and physically efficient. He should use every means to become better fitted to perform his tasks and to qualify himself for advancement. He should be sure that his life outside the store helps to make him physically fit for his work instead of sapping his vitality and thus making him a listless worker.

To quit a job without giving adequate notice of leaving is unethical. Just how long a notice should be given will depend on the conditions under which the person is hired. In minor positions one week is usually long enough, while in higher executive positions a month is often expected. In applying for a new position, a young person may feel that the prospective employer will not care to wait while a notice of leaving is given his present employer. On the contrary, the new employer will respect the ethical standards of the person who refuses to leave a job without giving reasonable notice. If the prospective employer does not take that attitude, his standards are so low that the position he offers probably would not be desirable.

A Selling Personality. The sales clerk should develop a particular kind of personality known as a *selling personality*. This means that he should have the ability to get along with other people, the ability to talk to strangers, a genuine desire to help solve the problems of others, and an eagerness to be with people. The born salesman is courteous, optimistic, interested in the other person, and, to a certain extent, dominating. A selling personality has as one of its chief qualities *confidence* in oneself and one's product. Successful salesmen seem to have a sureness about



Ewing Galloway

A SELLING PERSONALITY

The salesman's personality, as expressed in appearance, voice, and manner, goes a long way in prevailing upon the customer to buy.

themselves, a never-beaten attitude that inspires confidence. They seem to be able to suggest a solution to every customer's problem and rarely find themselves at a loss for words or actions.

In retail selling salespeople are seldom working alone; they are in continuous contact with other salespeople. Thus a co-operative spirit is an essential part of the selling personality.

A Buying Personality. The merchant himself as well as the buyer for a store or selling department must possess certain qualities in addition to those needed for selling. Since the merchant must lead and direct his salespeople, he

DO YOU HAVE A RETAILING PERSONALITY?

1. Co-operation—ability to get along well with others.
2. Genuine interest in the buying problems of customers.
3. Interest in goods and in trading—buying and selling them.
4. Confidence in your own ability.
5. Initiative and drive—ability to keep working industriously and without direction.
6. Stability and emotional control.
7. A sense of responsibility.
8. Honesty and loyalty.
9. Ability to comprehend and use figures.
10. Language facility.

should, of course, be able to sell well enough to gain their confidence. In addition, he must have a high degree of drive; that is he must be able to generate ideas and to carry them out in spite of obstacles and without looking to others for detailed directions.

The merchant and the buyer must also develop an impersonal attitude and a trading ability; they must think of merchandise not in terms of personal preferences but in terms of customer demand, and they must be able to buy shrewdly. Moreover, unlike the salesman, the buyer must learn to curb his enthusiasm. This quality of enthusiasm, needed for selling, may lead to hasty buying or over-buying, and it may lead to hasty decisions involving subordinates. Thus, the would-be executive must have a high degree of stability and emotional control.

The merchant is primarily interested in merchandise; his interest in people is limited largely to their merchandise requirements. He is not necessarily the chummy, good-mixer type. Rather he is an analyst of customer demand. He must also be something of a mathematician in order to adjust markups, markdowns, and stocks to best advantage to make a profit.

If a person possesses the qualities found in a selling personality and also the major elements of a buying personality, he will have a well-rounded personality for success in the retailing field. He will be sufficiently sociable to be a good salesman, yet reserved enough to be a careful buyer. It will pay, therefore, to begin a career in retailing by laying the foundation for a retailing personality.

Retailing Skills

Store work calls for skills as well as for a pleasing personality. For the beginner the three most important skills are the ability to use correct English, the ability to write legibly, and the ability to figure quickly and accurately.

English. "Mister, you don't need no salesgirl, d'ya?" Of course not! That type of salesgirl would probably say "Ain't this nice?" to a customer. She might even call customers "dearie" and "honey." The store executive is looking for people who speak well, that is, easily, correctly, and forcibly. Language is the clothing of the mind, and the wardrobe of the store employees should be complete. They should have a working knowledge of the rules of grammar, and their vocabulary should be well chosen and suited to store work. Students who plan on becoming salespeople should take a thorough course in grammar and a course in the study of words while they are still in school.

Correct pronunciation and enunciation are essential to good English. Do not slur words; give each word its proper pronunciation. Many people have the slovenly habit of dropping endings such as *ing* or *ed*, which makes their spoken English sound choppy and therefore difficult to understand.

A retailer uses English mainly in speaking; therefore, the young retailer should study and practice the correct use of oral English. He should be careful in his choice of words, in his pronunciation and enunciation of words, and in emphasizing words to bring out his meaning.

Choice of Words. Since so much of the salesperson's talk is used to describe goods or services, it follows that he

should make a careful study of words that describe, that is, adjectives. One student began his improvement in the choice of words by keeping what he called "a salesperson's vocabulary" in the back of his notebook. In this section, he listed adjectives which he found in daily newspaper advertisements and which he heard other salespeople use. Soon his notebook held such descriptive words as:

fresh	rich	dull
vivid	warm	delicate
gay	brilliant	dainty
smart	charming	chic
cool	bright	substantial
soft	loud	slender

When he gave a sales demonstration before his class, he made a special effort to use these words, and what he said took on added meaning. Before long he was using the newly acquired words naturally.

On another page he listed words that are over-worked by many salespeople in describing merchandise, such as cute, sweet, darling, fine, and lovely.

On page 43 are examples of the more common errors in English with examples of each. As indicated in "Things to Be Done" at the end of the chapter, the student should collect additional examples of errors.

Written English. The retailer uses written English in preparing saleschecks, in writing letters, in writing advertising copy, and in preparing reports. The most important things for the seller to remember in using written English are: (1) to choose exact words; (2) to spell words correctly; and (3) to use the rules of grammar, including punctuation. Punctuation is necessary in written English because the voice inflections, the pauses, and the gestures which are used in oral English to make the meaning clear are absent in written English; periods, commas, question marks and other punctuation forms must take their place. The ability to write good business English is a worth-while accomplishment for the professional retailer.

SOME COMMON ERRORS IN ENGLISH

1. Use of wrong tenses in verbs: "I seen" rather than "I saw."
2. Use of double negatives: "He didn't want nothing" rather than "He wanted nothing."
3. Lack of agreement of pronouns with nouns: "Everyone makes their own sales" rather than "Everyone makes his own sales."
4. Misuse of subjective pronoun forms: "It is him" rather than "It is he."
5. Misuse of objective pronoun forms: "Who did you deliver the goods to?" rather than "To whom did you deliver the goods?"
6. Lack of agreement between subject and verb: "He don't like that color" rather than "He doesn't like that color." Likewise, "You is wise to choose retailing" rather than "You are wise to choose retailing."
7. Confusion between adverbs and adjectives: "He sings beautiful" rather than "He sings beautifully."
8. Failure to pronounce all syllables: "Goverment" rather than "Government."
9. Failure to punctuate for clarity: "Ever since daily reports have been published" rather than "Ever since, daily reports have been published."
10. Failure to write legibly.

Reading. The retailer must be well read if he is to be able to talk intelligently to his customers. He should read at least one newspaper a day, one or two magazines a week, one or two trade journals a month, and at least six good books a year. With such a schedule of systematic reading, a retailer can keep up to date with local, domestic, and foreign affairs and with retailing practices and events. At the same time he will become acquainted with the best books. Systematic reading is also desirable because reading improves one's spoken and written English; we all tend to imitate the form and style of what we read.

Business Handwriting. Want ads often say, "Please reply in your own handwriting"; and applicants for jobs are frequently judged by their handwriting. Legible handwriting is all that is required. Stores have found, however, that often the names written on sales checks cannot be read, and they have therefore made a rule that names on sales checks should be printed. Many people say, "I have poor handwriting and I can do nothing about it." That is not so. Handwriting can be improved. Constant practice, with special attention to the shape and the size of each letter, will improve handwriting. All flourishes should be eliminated.

CHECK YOUR HANDWRITING FOR THE COMMON ERRORS

- a. Endings of words—bring the endings up no higher than the height of the small letters. Do not make fancy endings or flourishes.
- b. Spacing of words—space the words evenly. Do not crowd either the letters or the words.
- c. Closings of letters—close such letters as *a*, *d*, *g*, *o*, *p*, *q*, and *s*. To leave them open changes the shape of the letter and makes it difficult to read.
- d. Looped and pointed letters—make pointed letters sharp at the top. Letters *d*, *i*, *j*, *p*, *s*, *t*, *u*, and *w* should be pointed, while *b*, *e*, *f*, *g*, *h*, *k*, *l*, *q*, *y*, and *z* should have a loop.
- e. Rounded letters—be sure that letters *b*, *h*, *k*, *m*, *n*, *v*, *w*, *x*, *y*, and *z* are rounded at the hump. There may be a tendency to point these letters too much so that they are confused with other letters.

Store Arithmetic. It is not necessary for a person to be a genius at mathematics in order to carry out the duties of retailing. It is necessary, however, that the professional retailer be able to perform certain arithmetical calculations that are used continually in retailing and that he be able to perform them rapidly and accurately.

In almost every type of business position the fundamental operations of arithmetic—addition, subtraction, multiplication, and division—are used. A salesperson uses all four operations every day. The aim in arithmetic is first, accuracy, and second, speed. Daily practice in adding, subtracting, multiplying, and dividing mentally is important. It is a good plan when shopping in a store to try to find the total of the bill before the salesperson has added it. Or when going to the movies, the amount of change that the cashier returns should be checked for accuracy. Upon paying a bill, observe how the cashier makes change. These are just a few of the many opportunities for arithmetical practice that exist in everyday business affairs. Learn to anticipate the approximate answer and then check it for accuracy. The prospective salesperson should, by all means, take a course in business arithmetic while he is still in school.

Although salespeople use simple every-day arithmetic, other store workers must perform more complicated operations. Store office workers must compute percentages in making comparisons and must deduct discounts in paying bills. Buyers must calculate retail prices from planned markup percentages; they must be able to calculate turnover, to plan stocks in proper ratio to sales, and to interpret operating statements prepared by the accountant.

The retailing student should become accurate in the four fundamental arithmetic processes as well as in the use of whole numbers, fractions, decimals, and percentages. Finally, he should school himself in a good course in business arithmetic, including commission, discounts, and sales check writing; he will then be ready for the more difficult merchandising arithmetic. See if you can solve the examples and problems in the box on pages 46 and 47.

When employers are asked what should be taught the retailing student in school, their replies always include arithmetic. You may be able to get a job because of your neat appearance and your ability to speak well, but you will not be able to hold it if you frequently make errors in your arithmetic. Like any other skill, arithmetic needs study

TEST YOURSELF ON

I. Addition

1. 53,174	2.					
37,896		294	864	723	812	=
82,138		382	812	412	738	=
45,982						
76,349		743	394	387	243	=
18,753		692	714	965	122	=
94,561						
29,674		714	869	813	716	=

$$3. 62.14 + 8.127 + 1.1 + .0042 + 4200 + 14.2 =$$

$$4. 4\frac{1}{2} + 13\frac{1}{3} + 6\frac{1}{4} + 941\frac{1}{8} =$$

$$5. \frac{1}{4} + 2\frac{1}{2} + .25 + 2.5 + 25.024 =$$

$$6. 16\frac{2}{3}\% + \frac{1}{8} + .335 + 66\frac{2}{3}\% + .5 =$$

II. Subtraction

1. 2,212	2. 138.1 from 401.168 =
1,086	3. $9\frac{1}{2}$ from $11\frac{1}{8}$ =
	4. $6\frac{1}{3}$ from 19 =

III. Multiplication

- 621.4 by .0603 =
- $8\frac{1}{3} \times 4\frac{1}{2} \times \frac{1}{6} \times \frac{2}{5} =$
- $865 \times 10 =$ $954 \times 100 =$ $8413 \times 1000 =$
- $690 \times \$.25 =$ $450 \times \$.20 =$ $832 \times \$ 5.00 =$
- $\$ 758.46 \times 33\frac{1}{3}\% =$

and practice before it is marketable. Work for 100 per cent accuracy.

Checking Ability. The good store worker, particularly the salesperson, must be able to recognize and copy names, addresses, stock numbers, and prices quickly and accurately. This involves quick and accurate observation and memory coupled with mechanical ability in recording. Virtually the same ability required in checking is needed in following directions accurately and in giving careful attention to details. This quality of exactness is most important in retailing.

THESE FUNDAMENTALS

IV. Division

1. 6.127 divided by .0061 =
2. $8\frac{1}{3}$ divided by $2\frac{1}{2}$ =
3. $865 \div 10 =$ $954 \div 1000 =$ $8413 \div 1000 =$
4. $\$6.90 \div 10 =$ $\$45 \div 20 =$ $\$832 \div 50 =$
5. $\$10.54 \div 66\frac{2}{3}\% =$

V. Percentage

1. Change the following fractions to their decimal forms and then to their per cent forms:
 $\frac{1}{2}, \frac{1}{3}, \frac{1}{4}, \frac{1}{5}, \frac{1}{6}, \frac{1}{7}, \frac{1}{8}, \frac{1}{9}, \frac{1}{10}, \frac{3}{8}, \frac{3}{4}, \frac{3}{5}, \frac{3}{16}, \frac{1}{200}, \frac{15}{16}$.
2. Change the following percents to their decimal forms and then to their fraction or whole or mixed number forms.
 $1\%, 10\%, 100\%, \frac{1}{5}\%, 150\%, 6\%, 1.5\%, .8\%, 300\%, 33\frac{1}{3}\%$.
3. Find $16\frac{2}{3}\%$ of 90.
4. ...% of 90 = 15
5. 14 is 40% of
6. If $\$64.80 = 100\%$, what is 137.5%?

VI. Simple problems involving fundamentals.

1. Increase 96 by $66\frac{2}{3}\%$.
2. 2000 is $\frac{4}{5}$ of a number. What is $\frac{1}{2}$ the number?
3. If 10 coats cost \$50, what will 3 cost?
4. If 5 pounds of butter sell for \$4.00, how much can be bought for \$2.80?
5. Shoes sell for \$8.00 after being reduced 20%. What was their original selling price?

Qualities of the Retail Salesperson

One survey of the qualities needed in retail selling showed that there are five basic qualities, as follows:

- (1) Liking for and ability to get along with people. This is the outstanding quality. Advance evidence of this quality is found in participation in extracurricular activities and membership in organizations.
- (2) Verbal facility. This is the ability to express one's ideas, to use words correctly, to spell correctly, and to use correct grammar.

- (3) Number facility. This is the ability to compute sales checks, to make change, and to make use of arithmetic skills in other ways.
- (4) Checking ability. This is the ability to recognize and copy addresses, stock numbers, and prices quickly and accurately.
- (5) General intelligence. Normal intelligence is generally adequate, but the degree of intelligence needed differs with the merchandise sold.

The chart on page 49 is used by employment interviewers in a large chain organization. It clearly reveals the qualities and the personal backgrounds that this concern deems most desirable for retail sales personnel. While there is some room for disagreement, particularly in regard to attitude, each one of the qualities indicated deserves careful study.

A GOOD SALESMAN

The outstanding quality of a good salesman is his ability to get along with other people. In addition, he must know his product and be able to express his ideas clearly and correctly.



Pre-Employment Interview Guide and Rating Chart For Retail Sales Personnel

Name of Applicant _____

Position Rated for _____

INSTRUCTIONS:

For each characteristic listed below, select the paragraph which most nearly describes the applicant. Make a check mark (✓) over the number on the scale which most accurately indicates the degree to which the candidate possesses the quality described. Complete the checking immediately after the interview.

APPEARANCE Dress, features, physique, posture	0 Repellent, slovenly or otherwise objec- tionable.	2 4 Acceptable - but unimpressive.	5 6 7 Favorable impression.	8 Excellent impression.	SCORE
MANNER	0 1 Over-confident or otherwise unfavor- able.	2 3 4 Ill at ease, courts- ous and obliging.	5 6 7 Courteous and tact- ful, confident.	8 Poised, tactful and impressive.	
SPEECH Tone, pitch, diction, grammar	0 1 Unpleasant, diffi- cult to understand or too talkative.	2 3 4 Easily understood, lacking in force or conviction.	5 6 7 To the point, dis- tinct and pleasant.	8 To the point, dis- tinct, pleasant and forceful.	
AGE	0 Over 46.	2 22 years or under.	3 23-30 or 41-45 years.	4 31-40 years.	
HEALTH	0 Possible handicap.	1 2 Appears strong enough for work but little reserve.	3 4 No apparent defi- ciency.	5 Hardy and energetic.	
EDUCATION	0 2 3 One, two, three, years high school or extension course equivalent.	4 High school graduate.	6 7 8 One, two, three years college work completed.	10 College graduate.	
SCHOOL LEADERSHIP (If no high school or college record, rate 4)	0 No outside activi- ties.	3 4 Participant in athletics or social life.	5 6 7 Member of school clubs but not active leader.	8 10 Officer of major organization or active in music, forensic or journalistic activi- ties.	
AGGRESSIVENESS AND RESOURCEFULNESS	0 1 Dependent on others for solution of em- ployment problem.	3 4 5 Independently making few contacts for employment.	6 7 8 Making numerous contacts without organized plan.	10 Making contacts with well-organized plan.	
ATTITUDE TOWARD WORK	0 No occupational preference or inter- est in future.	1 2 3 Desires any position with opportunity for permanence or ad- vancement.	6 8 10 Specific vocational interest in retail selling.	12 15 Enthusiastically ambitious for a Sears retail career.	
DEPENDENTS IN- CLUDING SELF	0 1 Over six. Six. (Including self).	2 Four or five inclu- sive.	3 4 One. Helps (Self) family.	5 Two or three.	
ATTITUDE OF FAMILY TOWARD WORK (If no family, rate 4)	0 Opposes applicant's working.	1 Not concerned as to type of work followed.	3 4 Favors work in retail establishment.	5 Favors work at Sears.	

OMIT THE FOLLOWING ITEMS IF TOTAL EMPLOYMENT RECORD IS LESS THAN SIX MONTHS:

EXPERIENCE	0 1 2 No or little pre- vious employment.	3 4 5 6 Previous work experi- ence but not in or related to retail selling.	7 8 9 Retail selling experience but not similar to position desired.	10 11 12 Retail selling experience in posi- tion similar to one desired.
ATTITUDE TOWARD FORMER EMPLOYERS	0 Indifferent, un- friendly, or has grievances.	1 Frank comment, favorable and un- favorable.	2 Friendly attitude, all comments favor- able.	3 Extraordinary regard or loyalty for former employer.
STABILITY	0 Frequent changes in employment or objec- tives.	1 2 Frequent changes, but resulting in betterment.	3 4 Infrequent changes, no advantage gained.	5 6 Infrequent changes, constant in purpose.
WORK SUCCESS	1 2 No advancement in position or earnings.	3 6 9 Slow or irregular advancement.	10 12 15 Regular advancement.	18 20 Outstanding in achievement.

Initial interview _____

Interviewed several times _____

Known personally _____

TOTAL

COMMENTS:

SCORE

VOCABULARY

Study the following words. Try to make them a part of your vocabulary.

Business skills—Good English, accurate arithmetic, legible handwriting.

Buying personality—The qualities which make one a good selector of merchandise for resale.

Character qualities—The good or bad moral traits of a person.

Enunciation—The clear utterance of words, including their beginnings and endings.

Hygiene—The science of the preservation of health.

Personality—The sum total of one's qualities.

Selling personality—The qualities of a person which influence people to buy from him.

Social qualities—The ability to get along with people.

QUESTIONS ON THE CHAPTER

1. What are the eight qualifications for store workers according to the study made by the National Retail Dry Goods Association?
2.
 - a. How long is an actress trained in correct posture before she appears in a picture?
 - b. May correct posture be attained?
3.
 - a. What are the different items that enter into correct grooming for men?
 - b. What are the different items that enter into correct grooming for women?
4.
 - a. How do many stores inform their employees about dress regulations?
 - b. What is the underlying rule of every store regarding clothing?
 - c. What should be the color of clothing worn by salespeople?
5.
 - a. What may a high-pitched voice indicate regarding the speaker?
 - b. What may be the effect of a high-pitched voice on a listener?
 - c. What is the effect of a loud voice on a listener?
 - d. Why is a nasal twang undesirable?
6. What are nine character qualities?
7.
 - a. What is a good indication of one's social qualities?
 - b. What is the secret of a person's ability to influence others?
8. Why is gossip undesirable?

9. *a.* What is included in the term *personality*?
- b.* What is one good way to improve personality?
10. What is another form of dishonesty in addition to stealing?
11. When an employee receives orders from two different persons over him in an organization, whom should he obey?
12. What rule should be followed by a salesperson in regard to disclosing confidential information?
13. *a.* How long a notice should be given before an employee leaves a minor position?
- b.* How long a notice should be given before an employee leaves a high executive position?
14. *a.* How must a buyer think of merchandise?
- b.* Why must a buyer be something of a mathematician?
15. What is meant by the term *selling personality*?
16. What two courses in the general field of English should be studied by students who plan on becoming salespeople?
17. Why should a salesperson have a good handwriting?
18. What are the two main aims in arithmetic as far as the salesperson is concerned?
19. What is meant by *checking ability*?
20. What are the five basic qualities needed in retailing?

PROBLEM FOR DISCUSSION

Explain why a retailer would be interested in each of the items listed in the first column of the "Pre-Employment Interview Guide and Rating Chart" on page 49.

WHAT WOULD YOU DO IN THIS CASE?

You are an employer interviewing an applicant for a job that you have open in your store. The applicant is a young person who is interested in retailing but speaks poorly and is inaccurate in arithmetic. The appearance of the applicant is satisfactory and you can tell by his sincerity that the applicant has good character qualities and is genuinely interested in store work. What would you do?

THINGS TO BE DONE

1. The form on page 52 is a reproduction of an actual rating sheet used by store executives in rating beginning retail salespeople. Draw a rating sheet like this one and rate yourself on the qualities given. Consider your school work in rating the quality of "Performance."

RATING SHEET FOR RETAIL CO-OPERATIVE STUDENTS

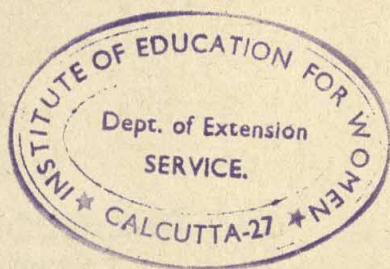
Student _____ Term _____

Store _____ Year _____

QUALITIES	EXPLANATION	UNSATIS- FACTORY	SATIS- FACTORY	ABOVE AVERAGE	OUT- STANDING
Appearance	Grooming				
	Poise				
Mental Alertness and Force	Alertness in grasping instructions				
	Force in carrying them out				
Co-operation	With executives				
	With co-workers				
Initiative	Readiness to assume responsibility				
	Readiness to do extra work				
Performance	Quality of work— including accuracy				
	Quantity of work— production				
Attitudes	Tact and Courtesy				
	Enthusiasm for job				
Attendance	Regularity			XXX	XXX
	Punctuality			XXX	XXX

Remarks: Include comments on the above ratings and suggestions as to how student may improve. Use other side of page if necessary.

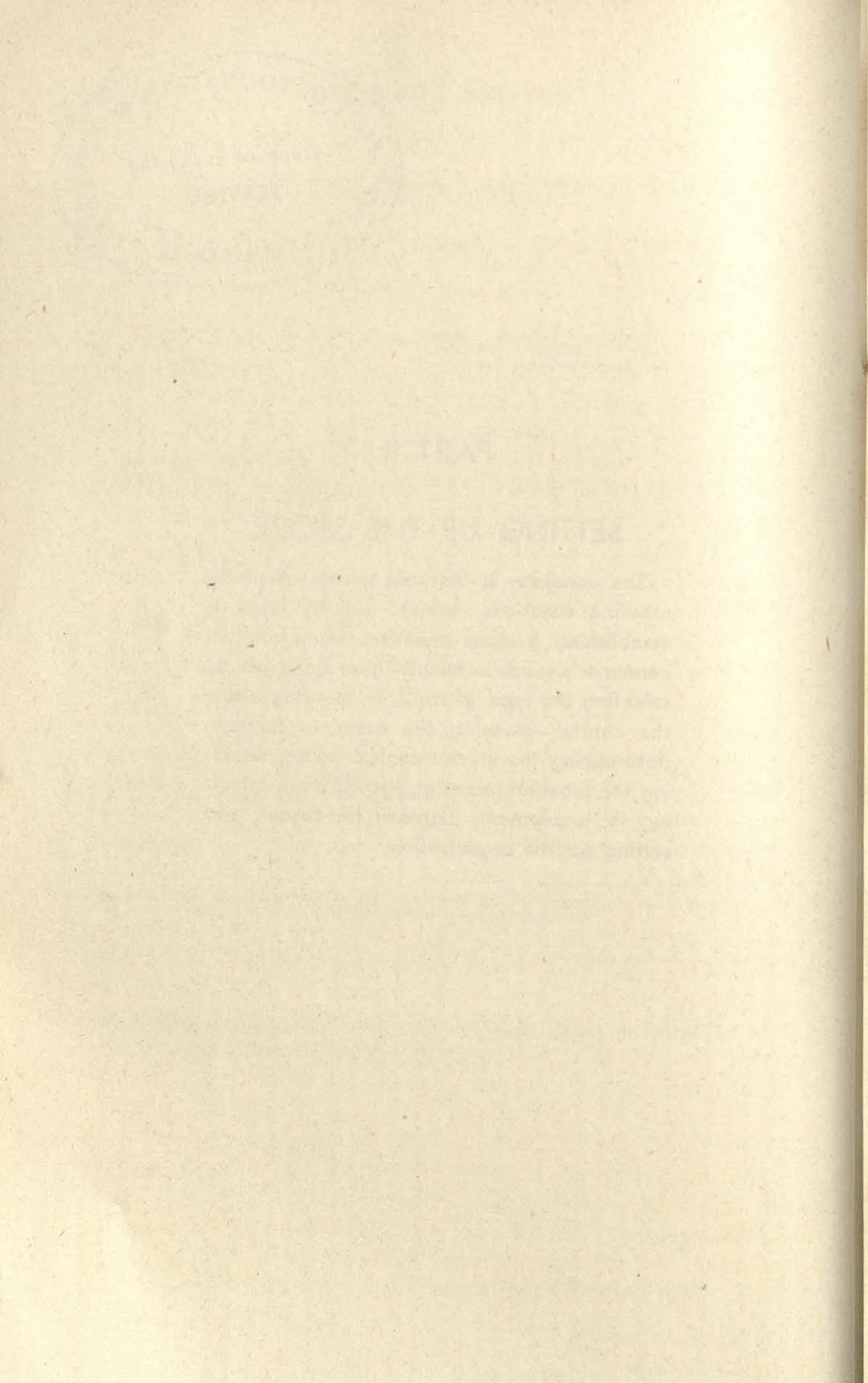
2. Study the common errors in English listed on page 43 and list an additional example of each.



PART II

SETTING UP THE STORE

The consumer is the hub around which the retailing functions revolve, and all steps in establishing a store must be taken with the consumer's needs in mind. These steps include selecting the type of store to operate, raising the capital, planning the customer services, determining the store's central policy, selecting the location, planning the building, selecting the equipment, planning the layout, and setting up the organization.



CHAPTER III

STORES FOR EVERY CUSTOMER AND EVERY NEED

If John Wanamaker, pioneer department store merchant, could call today a meeting of other retailers of his time, the founders of many great stores would attend.

"Gentlemen," he might say, "I have called you together to help me solve a delicate problem. Norman Laring, a young high school student, has determined to go into retailing. What should we teach him about our art and science?"

"Tell him about the great mail-order business," might answer Richard W. Sears, the merchant who built a million-dollar business from the sale of watches by mail.

"No, wait," might chime in Frank W. Woolworth. "Teach him about the variety stores, the idea of shrewd merchandising in fast moving merchandise at low prices. That's important."

"Not so important as learning how to build character. I say you can build business by building men," J. C. Penney might say. "Put Norman under the direction of a J. C. Penney manager, and in time Norman will be a partner of mine and share in the profits."

"Gentlemen, gentlemen," old John Wanamaker might chide kindly, "let me first introduce the other gentlemen around the table and then we shall get at this problem in an orderly fashion, just as we used to do when we ran our own businesses. First, on my left, is Marshall Field, the man who stressed quality in his great department store in Chicago. Next, is Lincoln Filene, who started with "a hole in the wall" in Boston and built it into a great business house. He was a great one for planning. He believed in training and is responsible for a great number of courses in retailing in schools and colleges today."

"Seated next to him is Isaac Gimbel, who believed in making modern improvements to meet and beat his competition. The great Gimbel stores still work on this successful

principle. J. L. Hudson of Detroit built on the rock of public confidence which he obtained through selling honestly. And then there is Aaron Montgomery Ward, who originated the idea of selling goods in a big way from a catalog. He improved on the small pamphlets which were common in his day, and while other merchants laughed at his idea, he built one of the largest businesses in his time. And you have already met the other gentlemen who have spoken.

"Don't forget yourself," someone else might say to John Wanamaker. "Your ideas of selling for one price, refunds and exchanges for customers, and better employee relationships are perhaps the greatest ideas in retailing. While you are trying to be fair to everyone else, try being fair to yourself."

John Wanamaker, bowing his head slightly in token of appreciation for the kind words, might summarize the business at hand:

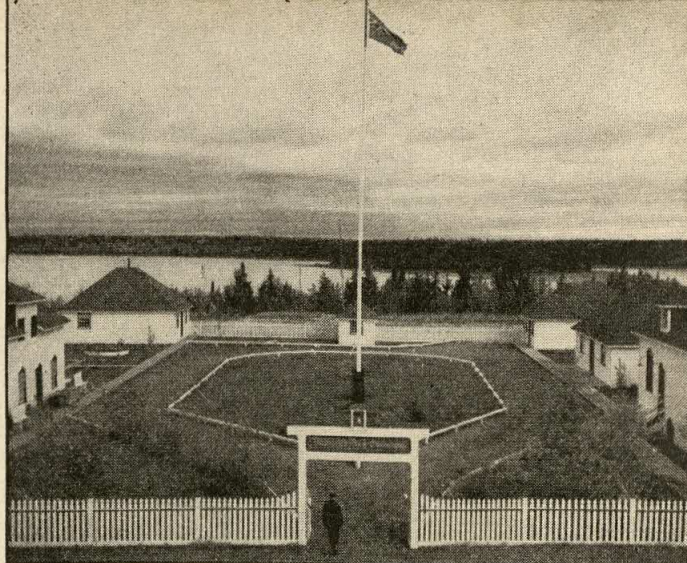
"Now, with the pool of retailing talent and experience around this table, we should be able to give Norman Laring a pretty good idea of what this art and science of retailing is all about. Let's start at the beginning, with the development of stores. It is from a knowledge of early retailing methods that new ideas and new improvements in retailing spring." And this is the information they might give young Laring:

Evolution of Stores

Years ago, in order to satisfy their needs, people traded or bartered; that is, they exchanged goods for other goods or they traded their labor for goods. A place convenient to many was selected as a market place. Swappers came to the market place, exchanged their wares, and left. Often, however, swappers could find no one with whom to trade, or they had to wait a long time for someone to arrive who had what they wanted in exchange; so a settlement or trading post sprang up at the market place and traders resided there permanently. The trading post was the convenient meeting place of swappers and was usually at a crossroads. People eventually settled around the trading post and de-

A TRADING POST

Some stores started as trading posts. This one still operates in Canada.



Hudson's Bay Company

pended upon it to supply many of their needs and wants. After a time the trading post developed into a general store.

The General Store

General stores have served the public successfully for nearly two hundred years and they are still found, although they are declining in number and in volume of sales. The general store may handle the mail for the community as well as supply townspeople with a variety of merchandise. It provides a gathering place where farmers and tradesmen can swap news and discuss politics. The owner of the store depends upon wholesale salesmen to keep him informed about new merchandise and to keep up his stock. Occasionally the merchant visits wholesale centers to buy new merchandise. His store carries groceries, low-priced clothing, house furnishings, simple drugs, and numerous other articles, but it is not organized into separate departments.

The Single-Line Store

As the population of towns and cities increases, a demand arises for a greater variety of goods than a general store can carry. Moreover the general-store proprietor does not buy in sufficient quantities to get the lowest prices. As a result, stores that specialize in one line or in a few

related lines are opened. For example, a small mill town had one general store. As the population increased, a store that dealt only in groceries was opened. Across the street a store that specialized in dry goods was opened. Later there appeared a shoe store, a drugstore, a confectionary store, and a stationery store. As the town grew, a bakery and a store specializing in ready-made clothing were opened. Thus a number of specialized stores developed. They came in answer to the demand of the public for better merchandise assortments than the general store provided.

The Neighborhood Store

Neighborhood stores are convenient stores of either the general or single-line type that supply immediate needs. Grocery stores, drugstores, butcher shops, and small dry goods stores are examples of small neighborhood stores. These stores specialize in merchandise called *convenience goods*, that is, goods which must be bought frequently and immediately, and for which people do not want to make special shopping trips. These neighborhood stores make up the largest number of retail stores today.

The Specialty Store

As a small town increases in population, many single-line stores are opened in the central shopping district rather than in neighborhood locations. Some of these stores are called *specialty stores*. They may stress price, style, fit, or exclusiveness, and they specialize in such merchandise as men's clothing, women's clothing, men's furnishings, and ready-to-wear accessories. They differ from neighborhood stores in that they usually do not deal in convenience goods, but rather in *shopping goods*, that is, in merchandise which a customer wishes to examine and to compare in several stores before buying. High-grade specialty stores are generally ahead of other stores in fashion goods; they offer complete assortments in the one line of goods they handle; and they offer customers many services. These specialty stores are giving department stores serious competition.

The Department Store

On the main street of a town there are many different kinds of stores. A woman who wants to buy a new Easter ensemble visits a hat store, a shoe store, one or two dress shops, and a dry goods store. She spends a great deal of time in going from one store to another for her complete outfit. Eventually one store, perhaps the largest dry goods store of that town, may realize the customer's problem and undertake to solve it. To its dry goods business, it may add a line of women's dresses and coats. Then it may add millinery, and after millinery, shoes. The shoe department naturally suggests hosiery. So, gradually, the dry goods store adds more and more departments and eventually undertakes to outfit the home as well as the person. Because customers can buy whole outfits in that one store, they are attracted to it. Because more and more customers come to the store, the store can add more departments. If the retailer keeps the business of each department separate, and if he carries men's and women's clothing, home furnishings, piece goods, and small wares, then he may call his store a *department store*.

The department store offers the people of its community an opportunity to do all their shopping in one place. Besides offering all kinds of merchandise, some department stores permit customers to have their purchases charged and delivered. Other services, such as buying by mail and telephone, are enjoyed by patrons of a department store to a greater degree than they are enjoyed by the customers of other types of stores. The size of their organizations and their large volume of sales enable department stores to employ specialists in buying, advertising, and bookkeeping, and enable them to obtain merchandise advantageously.

The size of the department-store organization, however, has its disadvantages. Customers like to be greeted by the owner of the store, to be called by name, and to be told that their patronage is appreciated. In a large department store this friendly personal relationship between buyer and seller is missing. Although department stores urge their salespeople to act as hosts to customers, there is still a lack of

personal relationships. The many services offered by the department store and the great amount of supervision and record-keeping required naturally keep up expenses and in turn tend to keep up retail prices. Moreover, the ability to get the best prices, which comes from buying in large quantities, is also possessed by chain stores, mail-order houses, and some large specialty stores.

A difficult problem facing the department store is the movement of the population toward the suburban areas of big cities and the growth of excellent specialty stores in these suburbs. Because of the difficulty in getting into the city, people living in the suburbs do not go to the central department stores so much as formerly. Many stores are meeting this problem by opening branch stores in the suburbs. Others are expanding their mail and telephone-order business. Department stores are thus holding their share of the retail business.

The Variety Store

The nature of the retail stores in a growing town is constantly changing. The general store gave way to the small stores that line Main Street. These stores were duplicated by the departments under one roof in the department store. Then another type of store sprang into being—the variety store. This newer type handles a large assortment of general merchandise. It specializes in low-priced goods from five and ten cents up to a few dollars, and carries such lines as the cheaper grades of women's accessories, toys, notions, glass, tableware, light hardware, costume jewelry, and cosmetics. Many of these stores offer fountain and luncheonette service. This type of store has taken a great deal of trade away from the small-wares and house-furnishing departments of department stores.

Variety stores offer a rather limited service and most sales are on a cash-and-carry basis. Merchandise is so arranged and displayed as to make it possible for customers to select what they want without the assistance of a salesclerk. In fact, variety store employees are usually *clerks*, not salespeople. They complete the sales transaction



F. W. Woolworth Co.

A VARIETY STORE

One of the modern buildings used by a chain of variety stores.

but are seldom called upon to aid the customer in making a selection, and never to persuade her to purchase. Such curtailment of services cuts expenses and makes it possible for variety stores to sell goods for less than the prices at which service stores sell them.

The present tendency is for the variety-store business to develop large stores in central shopping districts rather than to open many new small stores. The large stores carry very wide assortments and place more emphasis on seasonal and fashionable goods than was true of the older variety store. Another tendency is to raise the upper price limit of merchandise. For example, F. W. Woolworth Company, after selling five- and ten-cent merchandise for years, now sells some items for a dollar or more.

As long as there are customers who place more emphasis on low price than on personal service and high quality, the variety store will continue as an important retail agency.

The Supermarket

The supermarket is a large departmentalized store featuring foodstuffs, with self-service in the grocery and sometimes other departments, and operating generally on a cash-and-carry basis. Its chief appeal is low prices on standard goods. Customers typically assemble their merchandise in carts or baskets and take it to a check-out desk where it is packaged and payment is made. The supermarket has had a phenomenal growth since 1930 because of its ability to operate at an expense rate about one third lower than that of grocery stores that provide salespeople. The early supermarket was very different from that of today. It was frequently housed in an old barn or unused building and was located on the outskirts of a town where there was ample parking space. Its displays of fruits and groceries were left in the original containers and were placed haphazardly on boards that ran the entire length of the building. It kept down prices by using little equipment and simple displays, and by keeping down the number of employees. The customer went up and down the long displays and served herself. No delivery or credit privileges were given.

The automobile and mechanical refrigeration in the home enabled customers to drive out to these supermarkets and to stock up on needed merchandise at low prices. The new ideas—low prices, self-service, and huge store—drew crowds of customers, and each customer left an average sale considerably larger than that of the service grocery.

As the supermarkets grew in number, the independent neighborhood food stores were affected, and even the large grocery chains found their business falling off. Mrs. Jones, who used to be a good customer, now motored out to a supermarket and bought enough food for a week. She only

shopped in the neighborhood store for perishables, or when she "ran out" of an item or two. Besides, when she did enter the neighborhood store, she frequently questioned the merchant's prices. "I can get this at the supermarket for less," she would say, and the neighborhood merchant had a difficult price objection to overcome.

The chain-store managements were alarmed. They were faced with increased taxes against chains and with increased competition from supermarkets. As a consequence the grocery chains began to lose money; but they solved their problems by entering the supermarket field themselves! They closed their small stores, which barely made a profit, and thus cut down on taxes (for they were taxed on the number of stores in the chain); and they opened supermarkets, thus obtaining some of the supermarket business for themselves.

Competition among these low-priced operators has led to the installing of more expensive fixtures and equipment, the employment of experts in buying and display, the applying of scientific, large-scale retailing methods, and the selection of more convenient locations. Customers need no longer stock up for a week, as was the case when supermarkets were located far from home.

Since World War II, the availability of open-top freezers for frozen foods and of similar chilling containers for packaged fresh fruits, vegetables, and meats has made it possible to sell these foods the self-service way, with much less spoilage than was formerly accepted as a matter of course.

Supermarkets are expanding their lines. While they remain primarily food stores, many of them have added other lines, such as house furnishings and drugs. They are commonly departmentalized as follows: dry groceries, dairy products, bakery goods, frozen foods, fruits and vegetables, meats, and general merchandise. The tendency is in the direction of operating all departments on a self-service basis. Even the practice of chilling and packaging fresh meats in unit containers has very recently been introduced.

Many food stores have gone only part way in the direction of self-service, even for dry groceries. They operate what are known as semi-self-service stores, sometimes called *superettes*. Goods are arranged and displayed as in self-service stores and customers may wait on themselves. But there is not a check-out desk, and counter service is available for those that want it. It can operate at a lower expense than the service grocery can.

**KINDS OF STORES
BASED ON ORGANIZATIONAL METHODS**

1. General Store
2. Neighborhood Store
3. Specialty Store
4. Department Store
5. Variety Store
6. Supermarket

The *Progressive Grocer* reports that well over half the food business of the country is now handled by stores that have self-service grocery departments. Semi-self-service stores handle most of the rest. In fact, food stores providing counter service for all do less than one fifth of the entire business. Twenty years ago they did nearly all of it.

The supermarket has caused momentous repercussions, not only on food stores, but on all types of retailing. It has been demonstrated that the service of being waited on by a salesperson is not the essential service that so many merchants assumed it to be. A large proportion of customers prefer to wait on themselves when buying convenience goods and low-priced shopping goods, provided assortments are clearly displayed. They resent the awkward efforts at suggestion selling made by the poorly trained clerk. The success of supermarkets in eliminating doubtful service has given specialty stores, and even department stores, courage to experiment with limited-service plans.

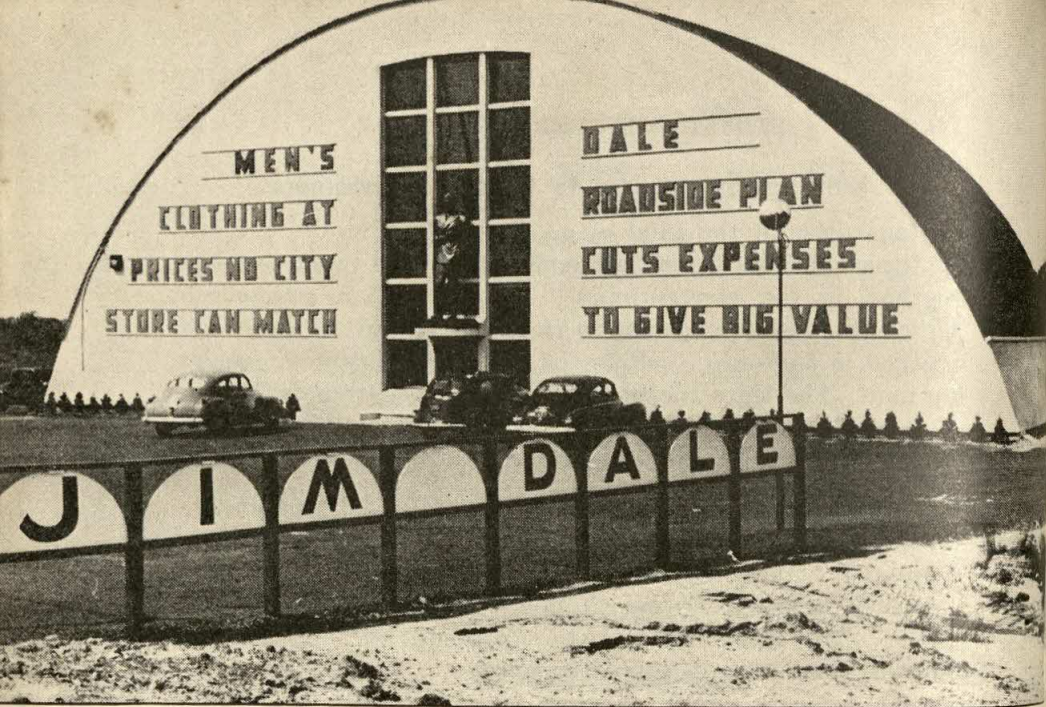
Methods Stores Use to Contact Customers

Regardless of the kind of goods handled, stores use one of three methods to contact customers. The most common method is the conventional *over-the-counter selling*, in which the customer comes to the store to buy. The second method is *mail-order selling*, in which the customer orders by mail. The third method is *direct selling*, that is, house-to-house selling. Some stores use all three methods regularly; others use only one method.

Over-the-Counter Methods. Most selling is done in enclosed buildings where salespeople are employed to wait on customers who come in. A considerable amount of selling, however, takes place out of doors or without the use of salespeople. Since these latter methods are not so well known, they need special discussion.

Automatic Vending. Over-the-counter selling generally involves personal contact between customer and store representative, but mechanical selling also exists. Automatic vending achieved importance about the beginning of this century. It was introduced to sell penny goods, such as chewing gum and salted peanuts. More recently automatic vending machines have been used to sell cigarettes, matches, postage stamps, candy, soft drinks, various druggists' preparations, hosiery, and foodstuffs ready for consumption, as in the "Automat" restaurants. Although this method has grown very rapidly, it will replace conventional methods only in the case of relatively small convenience goods items that are individually packaged. Vending machines are cumbersome, and if a store must carry a great many varieties, customers find it hard to locate what they want and to have the exact change ready.

Roadside Markets and Stands. Although most over-the-counter stores are enclosed, some are open. The roadside stand is an example of the open store. The automobile and good roads have increased the growth of the roadside market. These markets, taken as a whole, do a surprisingly large volume of business in the sale of fruits, vegetables,



A ROADSIDE APPAREL STORE

This version of the roadside stand is located in California. It offers low prices, easy parking, evening shopping, and freedom from pressure to buy.

"hot dogs," soft drinks, sandwiches, and confectioneries. In the cities, open stands are widely used for the sale of newspapers and magazines; and in the poorer districts, food is often sold from them.

Pushcart Selling. The peddler and his pushcart still do a thriving business in the larger cities. The pushcart is really a portable store that distributes goods to low-income families. Some peddlers of food products raise their own vegetables; others, especially in large cities, may buy produce from wholesale markets.

Itinerant Stores. The rolling store is a familiar sight in rural districts, where people do not have ready access to stationary stores. Groceries, meats, bakery products, tea and coffee, and ice cream are sold by itinerant stores. Notions, shoes, and dry goods are sometimes distributed by the store on wheels. This is in reality a combination of portable store and direct selling.

Mail-Order Methods. If a customer is too far from a town store or is not satisfied with the goods carried in the local store, he may select goods from a catalog sent by a mail-order house, send payment for the goods with his order, and receive the goods by mail. Most of the mail-order business formerly came from rural districts, but many city residents now patronize mail-order houses for goods in which style and fashion are not a major consideration. The "salesman" for the mail-order house is a beautifully illustrated catalog that is sent free to those who ask for it. One mail-order catalog contains 1,200 pages, 1,700 illustrations, and describes approximately 70,000 different articles. This catalog costs about \$1 to print and distribute.

Mail-order houses manufacture many of their own products. They also buy in large quantities, at low prices, and keep expenses down by good management. Because of the keen competition, the large mail-order houses have opened retail stores in many cities. They do an over-the-counter business and get about three fifths of their sales volume from these stores. Mail-order concerns charge less for merchandise bought by mail than for goods sold in their own retail stores. This is because of the added cost of personal selling and of maintaining complete stocks.

Reasons for the Growth of Mail-Order Houses. Mail-order houses with their retail stores have grown more rapidly than the conventional department stores, specialty stores, or home furnishings stores. This is due to a combination of causes. One is the standard of quality they are able to maintain at low prices. They maintain testing laboratories that test competing vendor's products and also bureaus of standards that set specifications for manufacturers to follow. They employ many specialized buyers, which gives them an advantage over buyers who must buy many varieties of merchandise.

A second reason for the success of mail-order houses is the low expense rate, which comes from the elimination of many of the services rendered by other types of stores.

The general excellence of the mail-order catalogs should be added as a third reason for success. Complete and con-



A MAIL-ORDER RETAIL STORE

The retail store of a large mail-order chain in Miami, Florida.

REASONS FOR GROWTH OF MAIL-ORDER HOUSES

1. Excellent advertising with complete merchandise information.
2. Improved mail service.
3. Manufacture or control of many private brands.
4. Quantity buying which reduces cost.
5. Opening of retail "over-the-counter" stores.

vincing facts and details are given about everything advertised. Such informative advertising is proving more compelling than the generalities that appear in much newspaper advertising.

Direct-Selling Methods. House-to-house or direct retail selling is a specialized type of selling. Generally orders are taken and the goods are delivered later, but sometimes the salesman carries a supply of goods and makes delivery at once. Although it would seem that there is a large saving in overhead expenses in this type of retail selling, the relatively few customers that buy compared to the number called on, the cost of delivery, and the turnover of salespeople greatly reduce this saving.

A leading direct-selling organization finds it necessary to allow its salesmen 40 per cent on each article sold. Thus the concern receives only 60 cents for an article for which the customer pays \$1. This is as large a markup as depart-

KINDS OF RETAILERS BASED ON SELLING METHODS

1. Over-the-counter retailers
 - a. Service-store operators
 - b. Automatic vendors
 - c. Roadside market operators
 - d. Push cart peddlers
 - e. Rolling stores
2. Mail-order dealers
3. Direct sellers

ment stores obtain where customers enjoy the added advantage of inspecting a wide variety of goods. Moreover, house-to-house selling is slow in growth because of the opposition of housewives, who resent the crude and unethical methods used by some house-to-house salespeople as well as the bother of frequent interruptions.

Kinds of Store Control

Independent Stores. The various kinds of ownership or control of stores are well represented in the experiences of F. W. Woolworth, who began his career as a retail dry goods salesman. While working as a salesman, he became convinced that the public would welcome a store specializing in low-priced notions and novelties. After two unsuccessful attempts, he succeeded in establishing a store in Lancaster, Pennsylvania. He then had what is known as an *independent store*, that is, a store in which the owner determines the policies of his store, sets up his own methods of buying, selling, and record-keeping, and is entirely free from outside control.

Multi-Independent Stores. Woolworth's independent store proved so successful that he considered the possibility of expanding. In expanding, he could do one of two things—he could add additional lines of merchandise and thus attract more people in the community, or he could set up a second store in another community. Since he had become a specialist in merchandising low-priced variety goods, it seemed wiser for him to use his skill in setting up another store in another community, rather than to attempt to induce Lancaster customers to buy larger quantities of variety goods. He finally succeeded in establishing a second store in Scranton, and later a third store in Reading—both in Pennsylvania.

Woolworth was then operating what is sometimes called a *multi-independent* organization. He himself supervised each store; he did not need a central-headquarters organization to buy for and to control the few units.

Chain Stores. But Woolworth decided to go further and set up a true chain-store organization. This is a group of retail stores of the same type, centrally owned, and with central control of operations.

When Woolworth's chain included only a few stores in a few adjacent counties, it was what is known as a *local chain*. As it expanded into a number of the eastern states, it became known as a *sectional chain*. When it became country-wide, it became a *national chain*. Today, by means of separate companies, Woolworth has become an *international* institution.

Features of the Chain Organization. The chain organization has certain advantages. First, the cost of buying is very small because all units handle almost identical goods. Second, the many sales outlets make it possible to buy in large quantities and to obtain low prices. Third, it is possible for chains to deal direct with manufacturers, whereas the independent generally buys from wholesalers at a considerable addition to cost. Fourth, the chain generally specializes in fast-selling goods and does not carry items for which there is only an occasional demand. Fifth, the chain saves in managerial expenses. Mistakes made in one store need not be repeated in another, and efficient methods of display, selling, and record-keeping, once devised, can be readily applied to all units.

Criticism of the Chains. Probably the most serious charge against the chains is that they tend toward monopoly. It is argued that, if unrestrained, they will injure competition and eventually will eliminate it, and that they will then be in a position to raise retail prices at the expense of the consumer. This charge does not seem to be directed at the small local chains, but at the relatively few great national chains. As yet, however, there has been little proof of monopoly, even in fields where national chains are most important, such as food and variety stores. There is keen competition among the chains themselves. In many communities well-managed independent stores operate successfully next door to the unit of a mammoth chain.

REASONS FOR GROWTH OF CHAIN STORES

1. Low cost of buying large quantities.
2. Buying direct from manufacturer.
3. Specialization in fast-selling goods which increases turn-over.
4. Provision of experts for display, location, layout, buying, advertising.
5. Development of private brands.

Chains have one great disadvantage as compared with the independents—they cannot adjust themselves as readily to local conditions or to the needs of individual customers. If the chain policy is to carry only best sellers, it cannot add lines simply because a few customers want them; nor can a local manager determine the credit policy. The independent merchant can and does do these things. He has a closer personal contact with his customers and probably enjoys their confidence more than does the local chain-store manager. Some chains, however, are giving their local managers great freedom in selling and buying policies. While goods are largely centrally procured, individual managers of chains are allowed to stock only what they want.

Co-operative and Voluntary Groups. The growth of the chain store, particularly in the grocery and the drug fields, has encouraged many independent retailers to band together. In order to obtain some of the advantages that chains enjoy, especially the price concessions that come from quantity buying, many have formed *retailer co-operative groups*. In some instances the independent retailers simply co-operate in buying goods that all handle; in others they buy stock in a corporation organized by their own members. Other groups of retailers have associated themselves with wholesalers. These are known as *voluntary groups* or *voluntary chains*. In each instance a wholesaler contracts with a number of independents to give them certain privileges in return for a considerable portion of their business.

A SIDE-LINE STORE

This store in Cristobal, Canal Zone, is operated by the Panama Railroad, owned by the United States Government, for government employees.



Side-Line Stores. A *side-line store* is one that is owned and operated by groups or by individuals who have other major interests. Thus we have manufacturers' and wholesalers' stores operated by those whose major activity is production or wholesaling; company stores operated by industrial plants for the benefit of their employees (particularly in undeveloped regions where independent and chain stores have not been established); utility stores operated by utility companies to further the sale of equipment using electricity and gas; post exchanges run by the armed services for the benefit of soldiers and sailors; and state liquor stores operated by some states to control the sale of liquor.

Leased Departments. A leased department is a selling division of a store operated by an outsider. Because of lack of capital and inability to find a suitable manager or to establish close connections with the wholesale market, many stores rent space to any outside company that specializes in the desired line of goods. The specialist, or lessee, is often a chain organization operating departments in many stores; but manufacturers sometimes lease departments, and individuals commonly lease service departments such as beauty shops and optical departments. In department stores the departments most frequently leased are milli-

nery, women's shoes, paints, and wallpaper. The lease usually provides that a certain percentage of sales must be paid to the store. This averages 15 per cent. The store provides space, sales auditing, and usually delivery service. The lessee pays for its own salespeople and department manager, and for its advertising. The division of other expenses varies, depending upon the terms of the contract.

Co-operative Stores. The co-operative store is controlled by its organized customer membership. The first really successful consumer co-operative store was started in Rochdale, England, in 1844, by twenty-eight weavers. They opened a store with a capital investment of \$140 in order to reduce the cost of living by securing the profits of the

A CO-OPERATIVE STORE

This co-operative store is fathered by professors from the University of Chicago.



middleman for themselves. The three basic principles of co-operative stores set up by these determined weavers are generally adopted by co-operatives today: (1) a refund of profits to each member in proportion to his purchases, (2) a fixed interest rate on capital invested, and (3) democratic control.

Organization of Co-operative Stores. Consumers interested in forming a co-operative store invest small sums in the enterprise—such as \$5 each—and hire a manager. Prices are ordinarily set at market levels rather than below. Records of members' purchases are kept and profits are distributed to members on a basis of the amount of their purchases, not on a basis of their investment. Interest may be paid each co-operator on his investment; but any profit, over and above interest, that the co-operators elect to pay out is distributed on purchases. Each co-operator has one vote, regardless of the number of shares he owns.

**KINDS OF STORES
BASED ON CONTROL**

1. Independent
2. Chain
3. Co-operative
4. Side-line
5. Leased department

The total volume of business of the co-operatives in the United States is less than one per cent of the country's retail trade. Co-operative stores are of many kinds: dry goods, apparel, farmers' supplies, groceries, meat, fuel, lumber, and general merchandise. They have recently entered the department-store field. The co-operative movement in this country has persisted for many years, but there has been no rapid growth. The profit margins of well-managed independent and chain stores are so small that a co-operative cannot hope to save its members much money.

RETAIL TRADE CLASSIFIED BY TYPE OF CONTROL AND OPERATION

Type of Control	Number of Stores	Sales (Add 000)	Per Cent of Total Sales
Chains—total	123,219	\$ 9,570,114	22.8
Local	25,455	1,581,386	3.8
Sectional and national	82,049	6,771,009	16.1
Manufacturer- controlled	10,123	583,062	1.4
Leased department chains	5,568	170,368	0.4
Mail-order houses	24	464,289	1.1
Independents—total	1,625,075	31,482,983	74.9
Single store	1,521,145	27,417,200	65.2
Multi-unit	77,845	3,752,509	8.9
Market and roadside stores	18,014	103,162	0.3
Mail-order houses	410	73,124	0.2
Leased departments	7,661	136,988	0.3
Direct selling (house-to- house)	5,199	153,397	0.4
Utility operated stores	4,836	151,539	0.4
Company stores	2,007	148,248	0.3
Farmers' and consumers' co-operatives	3,698	224,375	0.5
State liquor stores	2,618	249,430	0.6
Other types	3,703	61,704	0.1
TOTAL	1,770,355	\$42,041,790	100.0

Moreover, both independents and chains are more likely to cater to the varying tastes of individuals than are co-operatives.

The table on page 76 gives a classification of retail trade by type of control.

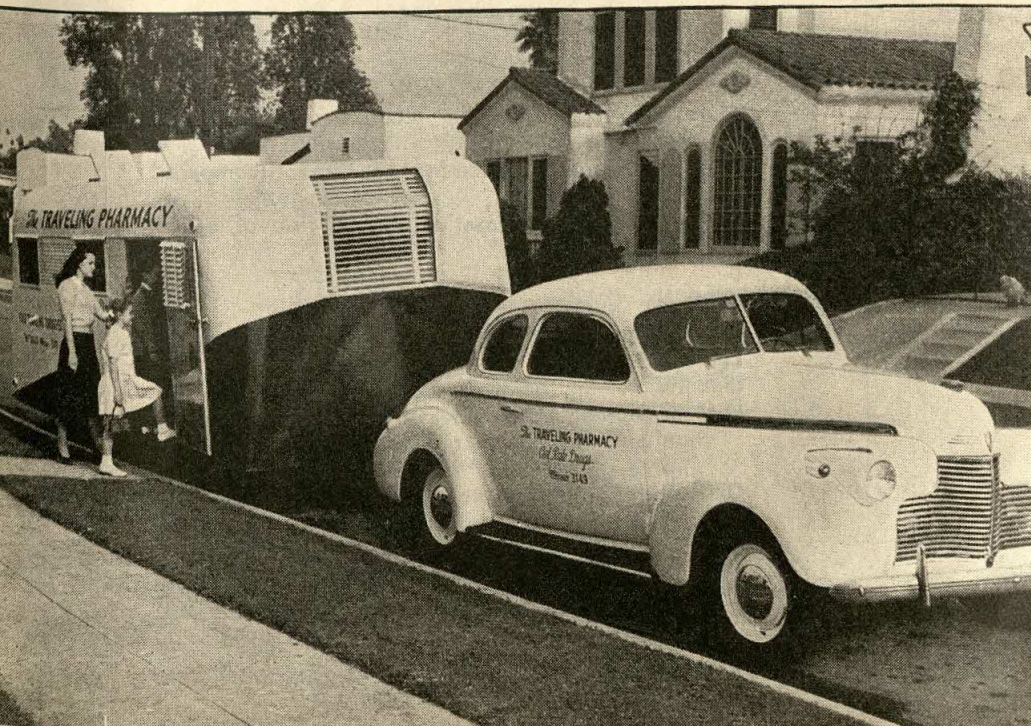
Forms of Ownership

Individual. The sources of capital used largely determine the type of ownership, of which there are three: individual ownership, partnership, and corporation. Most small stores are individually owned. This means that the person owning the store furnishes all the capital, is alone responsible for the management, is entitled to all the profits, and assumes all the losses. In case such a merchant owns property other than that invested in his business, this personal property is liable to seizure if the store encounters financial difficulties.

AN UNUSUAL INDIVIDUAL OWNERSHIP

To service outlying districts of the sprawling city of Los Angeles, an enterprising pharmacist has built a complete drug store in an automobile trailer. He covers a regular route daily, and many of his customers are movie folk who live in the swank and hilly suburbs.

Acme



INDIVIDUAL OWNERSHIP

Advantages:

- Easy to start.
- Complete control in one individual.
- Taxation and supervision relatively light.

Disadvantages:

- Hard to obtain capital for expansion purposes.
- Lack of permanence.
- Lack of exchange of opinion before decisions are made, leading at times to poor management.

Partnership. In a partnership two or more persons pool their resources and agree to share profits and responsibilities according to a prearranged plan. Their resources may consist of money, real estate, merchandise, goodwill, experience, and ability. They may agree to share the profits and losses equally or in any other proportion that they

ADVANTAGES AND DISADVANTAGES OF PARTNERSHIPS

Advantages:

- "Two heads better than one."
- More capital obtainable (compared with single proprietorship).
- Partners have direct voice in management (compared with corporation).
- Less regulation and taxation than is true of a corporation.

Disadvantages:

- Disagreements among partners.
- Each partner liable for acts of others.
- Liability not limited to investment.
- Lack of permanence, as death of a partner or addition of a new partner dissolves the old partnership.
- Difficult for a partner to withdraw.

wish. Regardless of their agreement regarding the sharing of profits, each is liable to the full extent of the property that he owns in case the partnership gets into financial difficulties. It is possible, however, to establish a limited partnership in which one party is not responsible for debts over the amount he has invested. The partnership agreement should be drawn by a reliable attorney. It should contain all the facts, terms, and arrangements, and it should provide for a dissolution of the partnership under certain circumstances, such as death or personal bankruptcy of a partner.

Corporation. The corporation is the most common form of ownership for large stores. If a store is to be incorporated, it must secure a charter from the state in which the corporation is formed. Shares of stock in the corporation may be sold to a large number of shareholders or only to those directly interested. The stockholders elect directors who become responsible for the management of the store. In case of financial difficulties, stockholders are responsible for losses only to the extent of the stock they own.

ADVANTAGES AND DISADVANTAGES OF CORPORATIONS

Advantages:

- Limited liability—each stockholder liable only for amount of his investment.
- Long life—does not dissolve with the death of owners.
- Much capital can be raised, making possible large-scale operation.
- Easy for a shareholder to withdraw by selling stock.

Disadvantages:

- Ownership and management separated—danger of irregularities and fraud because of impersonal management.
- Subject to many laws, regulations, and taxes.
- Harder to form.

Small shops usually are owned by single individuals, and are financed at the start by the personal savings of owners and by the extension of credit by suppliers. When one person does not have enough capital, he finds a partner. As the store grows and more capital is needed, it is largely provided by leaving profits in the business; but extra merchandise for seasonal business, such as at Christmas and Easter, may be obtained by borrowing at the bank.

Incorporation and the sale of stocks and bonds is usually resorted to by large established stores when money is needed for further quick expansion, or when the owners want to withdraw some of their money for other purposes. Occasionally a new store may be financed by selling stocks and bonds to a selected group of investors rather than to the public at large.

VOCABULARY

Study the following words. Try to make them a part of your vocabulary.

Consumer co-operative store—A retail store owned and directed by an association of its own customers.

Convenience goods—Goods which the consumer purchases frequently, quickly, and with a minimum of effort.

Corporation—A business owned by stockholders who have invested in it and whose liability is limited.

Department store—A large retail store that carries a wide variety of general merchandise and is organized into separate selling departments.

General store—A retail store which carries a variety of unrelated merchandise, including groceries, clothing, and home furnishings, and which is not departmentalized.

Leased department—A selling department of a store, operated by outside management.

Retail co-operative group—A group of independent retailers organized to buy co-operatively, either through a jointly owned warehouse or through a buying club.

Shopping goods—Goods which the customer usually compares, in the process of buying, on such bases as suitability, quality, price, and style.

Voluntary group—A group of retailers, each of whom owns and operates his own store but is associated with a wholesaler to carry on joint merchandising activities.

QUESTIONS ON THE CHAPTER

1. How did a place where people came to exchange goods gradually develop into a general store?
2.
 - a. Are general stores increasing or decreasing in number?
 - b. What other function is sometimes performed by a general store besides selling merchandise?
 - c. Upon whom does the owner of a general store depend for information regarding new merchandise?
3. What is meant by the term *convenience goods*?
4.
 - a. What is a specialty store?
 - b. What is meant by the term *shopping goods*?
5. What is a department store?
6.
 - a. What advantages are offered to the customer by a department store?
 - b. What disadvantages arise from the size of a department-store organization?
7.
 - a. What difficulty is faced by the department store due to population moving toward suburban areas?
 - b. How are some department stores meeting this problem?
8.
 - a. What is a variety store?
 - b. Why is it stated that variety-store employees are generally clerks, not salespeople?
9.
 - a. What is a supermarket?
 - b. What was the early supermarket like?
 - c. What improvements have been made lately in supermarkets?
10.
 - a. What was the effect of the supermarket on independent neighborhood stores and on large grocery chains?
 - b. How did the chain-store managements meet this problem?
11.
 - a. What is over-the-counter selling?
 - b. What is automatic vending?
 - c. What kind of over-the-counter stores are open rather than enclosed?
12.
 - a. To what class of people do peddlers largely appeal?
 - b. What is an itinerant store?
 - c. What kinds of goods are sold by itinerant stores?
13.
 - a. What proportion of the entire business of mail-order houses is now definitely done through branch retail stores?
 - b. Do mail-order concerns charge more or less for merchandise sold by mail?
 - c. What are three reasons for the success of mail-order houses?
14.
 - a. What are the five features of a chain organization?
 - b. What is the principal criticism of chains?
 - c. What is meant by a *voluntary chain*?
15. What is a side-line store? Give several examples.

16. *a.* What is a leased department?
b. What are the most frequently leased departments in department stores?
c. What is the average percentage of sales charged by a store for rental of a department?
17. How are most small stores owned?
18. *a.* What is meant by a partnership?
b. To what extent is each partner liable if a partnership gets into financial difficulties?
c. What matters should be contained in a partnership agreement?
19. What are the four chief advantages of a corporation? Explain.
20. What are the three chief disadvantages of a corporation? Explain.

PROBLEMS FOR DISCUSSION

1. From the consumer's viewpoint, what advantages and disadvantages are there to joining a consumers' co-operative store organization?
2. Explain how the service policy of a store affects its prices.
3. If you could obtain enough capital to establish a new store without incorporating, would it be desirable to incorporate? Explain.

THINGS TO BE DONE

1. *a.* List ten articles that are purchased by you or your family in the immediate vicinity of your home.
b. List ten articles that are always purchased at the center of the shopping district of your town or city. Select articles that differ as widely as possible in nature.
2. List all chain stores in your town or neighborhood.

CHAPTER IV

POLICY IS THE STORE'S PERSONALITY

Two housewives, leaving a large chain-store food market, were talking about retailing. "You know," one said to the other, "a retailer makes money easily."

"Yes, all he has to do is sell an item for more than he paid for it, and there you are."

"I wish my husband would go into retailing. He works so hard in a factory changing plain ordinary leather into shoes. But you can see that his labor is worth the money he gets. He changes that raw material into a finished product. But what does the retailer do? He buys a can of peas for 15 cents and sells it for 19 cents, and thus makes four cents without doing anything to the can he bought. That's making money easily, I say."

If those two housewives would take the trouble to look into the retailing process more closely, they would open their eyes in amazement at the number of things a retailer does for the margin between his cost and selling price. While it is true that the retailer does not change the form of the goods he sells, he gives certain services which are necessary before goods can be sold. And he works hard to provide these services.

What a Store Sells

Every store sells two things: merchandise and service. A can of peas may cost the retailer 15 cents and may be sold by him for 19 cents. The 4-cent margin measures the service he renders along with the goods he sells. These services include buying, storing, and selling. This means that the retailer must provide the right goods, at the right price, at the right time, and at the right place, and that he must aid customers in making selections. After goods are selected, he must frequently provide credit and delivery services.

THE RETAILER'S SERVICES

1. Assembling goods.
 - Assembling specific goods demanded by customers.
 - Assembling assortments from which customers may choose.
 - Assembling goods that will fit together into an ensemble.
 - Assembling qualities best suited to customer requirements.
2. Storing goods.
3. Selling goods.
 - Assisting customers.
 - Persuading customers.
4. Providing convenience services.
 - Wrapping and packing merchandise.
 - Delivering purchases.
 - Extending credit.
 - Making adjustments.
 - Offering other shopping conveniences.
 - Offering educational features.

Stores Buy or Assemble Goods for the Consumer. Stores actually add to the value of goods by providing them at a place where customers can readily obtain them. Thus a pair of shoes is worth much more to customers in an accessible store than in a shoe manufacturer's plant in Boston, and eggs in the grocery are worth more to the city dweller than eggs on the farm. The average grocery store carries the products of two hundred or more different farmers, producers, and manufacturers. The average department store carries the products of fifty thousand or more producers, located all over the world. For customers to obtain these things directly would be virtually impossible, as they would not know where to get all of them. Then, too, the cost of communication and shipment would be great; and frequently, when the goods arrived, they would not suit the customers' needs.

Buying or assembling goods is much more than bringing to customers the specific goods for which they have ex-

pressed a demand. It also means providing an assortment from which customers may choose the articles that best suit their tastes or related articles, such as clothing, home furnishings, or foods that go together. The task of the retailer is much harder than that of Aladdin's genie; the latter simply had to bring what Aladdin asked for, but the merchant has to provide a variety of things so that customers can select the styles that fit their individual needs.

There is still another phase of buying. This is the selecting by a retailer of those brands, makes, and qualities that best suit the needs of his customers. Customers cannot know all types of merchandise. They must depend upon someone to suggest to them the goods that are most likely to prove satisfactory in use. The ideal retailer acts as a purchasing agent for his customers and uses his expert knowledge to assemble goods upon which his customers can rely. Indeed, assembling is the main function of many successful retailers. Even selling, important as it is, may be subordinate to assembling. Providing the right goods for customers is considered more important than persuading people to buy.

Stores Store Goods for the Consumer. The merchant must not only provide an assortment of goods at the place where customers can inspect them; he must also have them there at the time the customers want them. In fact, the very word *store* suggests that it is primarily a place where goods are stored until needed.

Many small stores regard the storing of goods as their main function. They consider themselves to be primarily distributors of certain manufacturers' or wholesalers' merchandise. They buy what their suppliers tell them to and provide a convenient depot or storage space for the goods. They are required to use little judgment in selecting goods and they do very little selling, since they depend largely on the national advertising of the producers. Although there is room for such stores, especially those that handle foods that are purchased frequently, they are generally small and provide little profit.



GOODS STORED FOR THE CONSUMER

The goods in this store are stored by the retailer until they are wanted by the consumer. This service includes risk and expense.

Stores Sell Goods to the Consumer. When customers know exactly what they want, they can go to a store and can pick out the articles from among those that the store has assembled and stored. The store calls this *order filling*. The store must often do more than merely fill an order, however; at times it must assist the customers in making a wise selection.

A young woman wanted some new clothes for her senior dance. She was in doubt as to what to wear. She discussed the question with her parents and her friends and found out what they had worn at similar functions. But fashions had changed. The styles, weaves, and colors that were popular formerly are not in fashion today. She found that a saleswoman in a dress shop could give her far more up-to-date information than could her other acquaintances. This shop kept abreast of the times, and its salespeople were able to discuss color, fit, style, and the appropriateness of dresses for various occasions. The salesgirl who

waited on the young woman asked what she wanted, selected from stock the goods that were suited to her customer's needs, and told her how to wear and to take care of them. When the young woman hesitated to buy, thinking that perhaps she should look around further, compare prices, and get more advice, the salesgirl convinced her that delay would be a waste of time and that the clothes shown her were what she needed. In the end the young woman was glad that the salesgirl had helped her come to a decision, for at the dance everybody complimented her on her appearance and she was well pleased with her purchase.

This salesgirl performed what is known as the selling function. In the case just described, selling consisted of two acts: first, in assisting the customer to select, and second, in persuading her to buy. In most retail selling, assistance in buying is all that is required; but often it is to the advantage of the customer, as well as of the seller, to persuade the customer to buy.

There are three situations when persuasion is really helpful to the customer:

First, when customers find it difficult to make up their minds. Some people have a tendency to put off making a decision even though they want something; they depend upon others to decide for them.

Second, when customers exhibit little desire for things that would give them a great deal of satisfaction if purchased. It may be that the product, such as an air-conditioning unit, is new and customers are not familiar with what it will do for them; or it may be that customers are poor producers, with low earning power, and that they are poor producers merely because they do not want goods badly enough to work hard in order to buy them. There is a story of a group of young, poorly educated factory workers who were slow and careless. The employer sent each worker a Sears, Roebuck and Company catalog. The desires of the slow and careless workers were whetted by the many attractive things displayed in the catalog, and they became first-class producers because of their desire to earn enough money to satisfy their newly aroused wants.

Third, when a supply of a staple commodity is available at an attractive price. Certain products, such as oranges, watermelons, or cotton, may yield a larger crop than is salable without selling pressure. If pressure were not exerted, valuable goods would be wasted. Through selling effort on the part of retailers, consumers will use more of the surplus products than they normally would, but at prices that make the additional consumption well worth the cost. Thus both consumer and producer benefit.

Selling may be done impersonally as well as personally. Advertising, for example, is a form of impersonal selling. By means of advertising, people are told about goods that are for sale, their uses and benefits, their prices, and where they may be procured.

Window displays and interior displays are likewise forms of impersonal selling. Many customers prefer to browse around a well-displayed and well-labeled stock rather than to have salespeople attempt to wait on them. The arrangement and the labeling of goods provide all the assistance the customers need in selecting what suits their needs, and the appeal of the goods themselves proves more eloquent than any sales talk.

In some stores the selling function comes first. Highly promotional stores that run special sales are in this class. They are always on the lookout for bargains in the wholesale markets. Through high-pressure advertising and display they attempt to force customers to buy at once, rather than when customers feel a normal need. This group of stores includes the shops in big cities that cater to a transient trade. They attract visitors by the glitter and the novelty of their merchandise and displays. They make every effort to prevail upon customers to buy at once. They are little interested in building goodwill—in securing repeat patronage—for they seldom expect to see their customers again. They depend wholly on spectacular bargains. Such promotional stores often achieve a small degree of success, but they have little security for the future.

Other stores stress personal salesmanship; that is, they attempt to aid the customer to obtain the goods in stock



National Cash Register

SELLING SERVICE

The article the salesperson is showing the customers is a particularly good bargain, and it is good service to bring it to their attention properly.

most suited to his needs. These stores train the salesforce to give courteous, intelligent service and information concerning the quality and the care of the merchandise. This subject is so important that chapters will be devoted to it in Part IV.

Stores Provide Customers with Convenience Services.

In addition to assembling, storing, and selling goods, stores provide a variety of facilitating services. The table on page 90 lists the more common facilitating services. Stores wrap, pack, and deliver goods, accept customers' promises to pay at a later date, and provide attractive buildings and facilities for handling customers quickly. To make stores more than just places to buy, merchants frequently provide educational exhibits, demonstrations, lectures, and entertainments. In fact one large department store provides over fifty free services for its customers.

CONVENIENCE SERVICES OF RETAIL STORES

Selling Aids:

- Mail-order and telephone service.
- Personal shopping service—advisors to help select clothing and home furnishings.
- Wrapping and packing.
- Delivery.
- Granting credit.
- Adjustments.

Shopping Conveniences:

- Rest rooms.
- Post office.
- Children's playrooms.
- Information desk.
- Travel bureau.
- Drinking fountains.
- Telephone and telegraph.
- Parcel checking.
- Lost and found desk.
- First aid.
- Wrapping desks.
- Restaurant.
- Parking space.
- Doormen.
- Emergency hospital.

Group Presentations:

- Exhibits and demonstrations.
- Lectures.
- Courses.
- Fashion shows.
- Concerts and entertainments.

Community Service.

Mail-Order and Telephone Service

A store can adopt one of three policies in connection with mail and telephone orders:

- (1) It can treat them simply as a convenience for the customer, making no attempt to increase this kind

TELEPHONE SERVICE

Store advertisements frequently solicit orders by telephone. As a result, the busy housewife is relieved of the necessity of a trip to the store.



of business nor to have standard stock always available for reordering in this way.

- (2) It may promote such sales by advertising the service and by training some salespeople in this type of selling. Salespeople need special training in suggestion selling over the telephone.
- (3) The store can become a mail-order store or can open a mail-order department that issues a catalog and carries special stock for mail-order customers.

There is a tendency for stores to adopt the second policy, since it is not as expensive as the third and yet it opens the door to a considerable volume of business not obtainable over the counter.

Personal Shopping Service

During the past few years, personal shopping service bureaus have been developed to a marked degree in department stores and large specialty stores. A bureau makes



Bamberger's

A CUSTOMER ADVISORY BUREAU

A number of stores now have personal shopping service bureaus. These bureaus offer advice on buying problems, and they may handle mail and telephone orders.

selections for customers who cannot come to the store personally; it guides strangers through the store; it offers advice on buying problems; and it may handle all mail and telephone orders. Many stores feature this service by giving the shopper a name, which is used in all the advertising of this service. "Annie Sawyer," "Dora Mead," and "Vera Keene" are names used. "Bureau of Individual Attention" is the name used in another store. Small stores generally find no need to offer this type of selling aid except in so far as the manager performs this service himself.

Recently increasing numbers of customers have taken advantage of the personal shopping bureau. They are particularly anxious to have expert advice in making appropriate selections of clothes and home furnishings. Many also want advice in budgeting their expenditures.

Wrapping and Packing Service

Wrapping. If a customer takes a package with him, it should be wrapped (1) so that it can be easily carried, (2) so that it will save him from the embarrassment of having his purchase exposed to the public, and (3) so as to protect the goods. Wrapping protects the customer from the suspicion that may fall on one who carries out unwrapped merchandise, and it provides a good opportunity to advertise the store by having the store name imprinted on boxes, paper, and wrapping tape. Finally it affords an opportunity to give the customer written instructions regarding the care of the merchandise.

But wrapping may become quite expensive if there is competition among stores to provide the most costly Christmas or gift box at no extra charge. It would seem quite fair to make an extra charge for such special wrapping when it is desired.

Wrapping can be either wasteful or economical. Many stores have made careful studies to determine just what weight of paper, size of bag or box, or strength of cord is best suited for each purpose. Salespeople need careful training regarding the size of paper, box, or bag to be used for different articles and the most economical use of twine, gummed tape, and rubber bands.

Packing. When merchandise is to be delivered by truck or common carrier, it is often necessary to pack it. There have been great changes in packing methods during the past ten years. Formerly it was thought necessary that a store should pack goods so as to allow for rough handling, regardless of expense; but now many articles are delivered unwrapped with just a tag attached. For example, it is difficult and expensive to pack a lamp, which even though packed may be broken if it is dropped or thrown. But if a deliveryman is given an unwrapped lamp and is provided with padding material for his truck, he can so place the lamp in the truck as to prevent its being broken because of jars.

Some merchandise, such as glassware, is sold from a sample shown in the store. Delivery is then made from warehouse or reserve stock. With such merchandise it is becoming increasingly common to use the *prepack*. This means that merchandise is packed by the manufacturer in individual containers suitable for delivery to customers. The prepack is used because the manufacturer can often do this packing cheaper and more efficiently than the store can do it.

A great deal of research has been done in connection with both prepacking and packing in the store to determine the packing methods that best protect the goods and that provide the lightest and most economical packages. In many cases the use of excelsior or waste paper stuffed in a bulky container or around a small article is giving way to the use of corrugated cardboard bent and notched to support the article and to protect it from shock.

Delivery Service

Choice of Policy. A store may adopt one of four delivery policies:

- (1) It may deliver all purchases free of extra charge, at least in the neighborhood.
- (2) It may make a charge for all deliveries.
- (3) It may charge for the delivery of small packages or those that cost less than \$1, and may deliver costly and bulky articles free.
- (4) It may provide no delivery service.

The delivery policy chosen depends upon the type of store and the central policy. Supermarkets that make a major appeal of low price, variety stores that carry low-priced articles of light weight and little bulk, women's clothing stores that operate on a semi-self-service basis, and stationery stores that carry pickup items can dispense with delivery altogether.

Goods are, however, often too bulky to be carried; moreover, if a customer is not returning home immediately, it may be inconvenient to carry even small packages. Conse-

KINDS	NATURE	ADVANTAGES	DISADVANTAGES
Independent	Operated by store staff.	<p>Prestige. Personal contact with customer. Advertising on sides of trucks. Control of time of delivery and manner of handling merchandise.</p>	<p>Expense, especially in smaller stores delivering over a wide area. Investment in equipment. Difficulties of supervising a delivery force.</p>
Central or Co-operative	Co-operatively operated by stores in a town.	<p>Lower cost. Wider area covered.</p>	<p>Investment in company. Difficulty of organizing and maintaining co-operation. Hard to divide cost. No advantage of advertising and prestige for individual stores. Delay in tracing and adjusting delivery complaints.</p>
Consolidated	<p>Operated by private agency for a profit. Each store contracts to pay a specified rate per package depending upon number normally delivered, size, weight, extent of territory to be covered.</p>	<p>Low expense. No investment in equipment. Efficient delivery organization. Good service. Wider area covered. Easy to join. Relief from transportation problem.</p>	<p>No advantage of advertising and prestige for individual stores. Delay in tracing and adjusting delivery complaints.</p>
Express or Western Union Messengers	Companies handle store deliveries as a side line.	<p>No investment in equipment. Relief from transportation problem.</p>	<p>Expense may be high. May not be efficient. No advertising and prestige advantages.</p>

KINDS OF DELIVERY SERVICE

quently most downtown department and specialty stores, home-furnishing stores, service groceries, and dealers in coal and wood deliver without question.

In between these two extremes are the stores that do not maintain regular deliveries but that find it necessary to deliver on occasion. Thus a drugstore may deliver prescriptions so that customers will not have to wait while they are being filled; a delicatessen may fill telephone orders; and a small dress shop may deliver a dress that has to be altered. The wide demand for some delivery service in nearly every kind of store is evidenced by the fact that children with wagons congregate in front of some supermarkets and do an extensive delivery business. As a result of this demand, some supermarkets have made arrangements with local package delivery companies to deliver goods at the customers' expense.

Credit Service

The pros and cons of granting credit appear on page 97. There is a need for both cash and credit stores, although in the long run credit selling is likely to increase.

The small store, however, is probably wise to start as a cash store so as to conserve capital. Moreover, in neighborhoods where many customers are attracted by a low price appeal, there is need for cash stores. On the other hand, some kinds of stores must grant credit if they are to do business. Stores dealing in furniture or furs, for example, will have to grant credit. Well-to-do customers will expect the service as a convenience; low-income customers will have to be granted credit if they are to buy at all. We thus see that under our present economic system both cash and credit stores are necessary.

For example, a young merchant who had been quite successful in operating his cash-and-carry clothing business decided to expand into home furnishings. With this expansion, he was faced with the problem of adopting a definite credit policy. This was because each sale was generally for a larger amount in home furnishings than it was in

ADVANTAGES OF A CASH BUSINESS

Capital is not tied up in accounts receivable (store is able to operate on less capital).

No bad debts.

No collection expense.

Lower bookkeeping expense.

Fewer customer returns (charge account customers return three times as much as cash customers).

Lower delivery costs (charge customers ask for delivery more frequently than cash customers).

No ill will is created by attempting to collect from slow payers.

Everybody gets the same standard of service; no preferred charge class.

ADVANTAGES OF A CREDIT BUSINESS

Customer Viewpoint

Makes purchasing more convenient for customer: no cash need be carried; no waiting for change.

Opportunity provided to obtain and use goods while earning rather than after earning.

For many people, an easy way of saving for wanted merchandise.

Ability to buy household goods on credit adds to the confidence and well-being of the workingman.

Store Viewpoint

Less sales resistance because customers are more willing to promise to pay than to part with cash. This results in increased sales.

Better class of trade that is interested in quality merchandise and wants credit is attracted.

Larger average sale.

Repeat business developed. Charge customers keep buying in the store.

clothing. It was, therefore, obvious that he could not continue with the cash-and-carry policy. Because of the larger amounts involved, people wanted and needed time to pay. He was anxious to get the advantages of a credit business for his store.

Since the young merchant decided to sell on a charge basis as well as on a cash basis, he found it necessary to introduce a system for opening accounts and for collecting bills as well as one for authorizing transactions as they occurred.

While some stores look upon credit simply as a service to well-to-do customers who are obviously good risks, others solicit credit business. The opportunity to buy on credit is advertised and salespeople are urged to give repeat cash customers application blanks for a charge account. Except for wartime restrictions, the tendency is in the direction of extending credit to lower-income consumer groups who would not be able to buy otherwise. Thus customers are able to buy while they are earning but before they have been paid for their labors. The need for this is particularly apparent in the case of the farmer who receives most of his cash income when his crops are marketed, yet needs to buy goods for himself and his family all through the year.

The Three C's of Credit. There are three basic factors for the merchant to consider in granting credit to an applicant: character, capacity, and capital.

Character has to do with the customer's honesty—his probable *willingness to pay*. This is indicated by his habits of living, by his reputation in the community, by his associates, to some extent by his stability of employment, and by his payment habits in the past.

Capacity means the *ability to earn*. The merchant must decide whether the applicant's skill and intelligence are such that he will retain steady employment with sufficient wages or be a sufficient success in his own business to warrant granting credit in the amount desired.

Capital means the *tangible assets* that are owned by the applicant that can be seized in case of default. The owner-

Credit Application				Limit	Account No.
Reg. <input checked="" type="checkbox"/>	Con't. <input type="checkbox"/>	Corp. <input type="checkbox"/>	Home <input type="checkbox"/>	The Wm. Taylor Son & Co. 1A 11851	
				Date	4-9-19__
Name <i>Ray</i>		M. & Mrs. <i>George</i>		Approx. Age	
Home Address <i>56111 Yale Ave.</i>		Wife <i>Ellen</i>		Approx. Age	
City <i>Cleveland</i>		Years At <i>10</i>		Phone No. <i>Ac 04169</i>	
Former Address					
Business or Employer <i>Contractor for self</i> Address <i>56111 Yale Ave.</i>					
Occupation					
Former Business					
Bank Reference					
Branch					
Bank Reference					
Branch					
TRADE REF.					
				Contract Account	
				Amount	
				Item	
				Down Payment \$	
				Trade In \$	
				Balance	
				Carrying Charge	
				Total	
				TERMS \$ per month	
Personal Reference <i>Mr. John Dunn</i>					
Address <i>101 Smith Dr.</i>					
Nearest Relative <i>Mrs. W. Ray - mother</i>					
Address <i>4709 Furst Ave.</i>					
Owns Real Estate At <i>56111 Yale</i>					
Dependents					
Authorized Purchasers					
I hereby apply for a credit account with The Wm. Taylor Son & Co., and, if accepted, agree to pay all bills not later than the 10th of the Month Following Purchase, or as otherwise agreed, if a deferred payment account. It is understood that delinquent balances are subject to a carrying charge.					
Witness <i>ca</i> Signature					
Trade Rating		Remarks			
Special					
Real Estate					
Out of Town Spl.					
Clearance					
CODE		A B C		Special Instructions	
Accepted By <i>Ray</i>		Declined		Approved	
Date <i>4/10/19</i>		Accept Letter No. <i>N 13</i>		By	
Lender Cards-Auth. Slides		Decline Letter No.		Date	
		Applicant Notified		Plate-Form	
		<i>APR 10 19</i>		<i>ca</i>	

CHARGE ACCOUNT APPLICATION FORM

ship of a home or the possession of a bank account are indications of an ability to pay that will unquestionably influence the merchant in granting credit.

Information about character is obtained largely from a credit bureau to which merchants subscribe. The bureau accumulates from each merchant complete information about his experience with each of his credit customers. The local credit bureaus are generally members of a national association, which makes it possible for any member merchant to obtain information about the payment habits of almost any customer in the United States. The merchant

usually will assume that the applicant's character is good, until proven otherwise.

Information about capacity is more difficult to determine. The credit granter must develop the ability to forecast an applicant's probable earnings in the future. This requires a knowledge of the kind of business in which he is engaged and his position in that business. When credit is extended to low-income groups, *capacity* is the chief consideration, and the credit manager best able to forecast earning power is the most successful in increasing his store's business without incurring undue loss.

The capital of an applicant can be determined from his bank and from his references. If he has a business, a mercantile credit bureau, such as Dun & Bradstreet, will have information as to his assets and his liabilities. In the past capital was given more weight by the retail credit man than it is today. Ability and willingness to pay in the future, rather than present assets, are what really count.

Open or Regular Accounts. There are two basic types of credit that a store may grant an applicant:

- (1) Open or regular accounts.
- (2) Installment or deferred accounts.

Under the first and most common plan, the customer is billed on the first of each month for purchases made during the previous month. He is expected to pay promptly, at least by the end of the month in which the bill is received. Tentative limits as to the amount each customer may purchase and owe at one time are set, but the store frequently allows the customer to exceed these limits. The store does not have the right to take back (repossess) goods bought in this way and not paid for, but can sue for the amount owed.

In the past open charge accounts were regarded primarily as a convenience to the customer financially able to pay cash, rather than as a device to extend consumer credit to those who could not buy otherwise.

In recent years there have been introduced modified open accounts, called junior accounts, for those who have to pay

out of slender incomes, whose purchasing should be definitely limited to a specific amount, and who want to be free to use their credit for a variety of articles rather than for a few specific major purchases.

A customer is extended a limited credit, such as \$60, to be paid in a manner agreed upon. A common plan is to require the payment of one third at the end of the first month, another third at the end of the second month, and the balance at the end of the third month. As customers make payments, they are allowed by some stores to buy more, provided they do not exceed the limit of debt at any one time. A variation of this plan is the coupon or budget book with perhaps \$25 in coupons, which the customer agrees to pay for over a period of a few months, using the coupons immediately as cash in making purchases.

Installment or Deferred Accounts. In the sale of high-priced items of long life, it is sometimes necessary to extend credit from six months to two years. Since the investment, the interest involved, and the risks are greater, it is desirable to charge customers for the service and to sell the specific lot of goods in question under a contract that will allow the store to repossess them in case the customer fails to meet his payments. A common plan is to require a down payment, often one third of the price, and to charge $\frac{1}{2}$ or 1 per cent each month on the amount owed at the first of the month. Usually the title of ownership of the goods remains with the store until payments are completed.

Suitability. Stores dealing in foods, clothing, and small wares have only the open account plan, possibly with the junior-account variations; but those that deal in furniture, major household appliances, and automobiles grant installment credit. Since department stores sell both classes of goods, they generally offer both plans. Many home furnishing stores, however, do practically all their business on the installment basis and frequently quote prices that include this service, sometimes granting a 10 per cent discount for cash.

Collection. A credit sale is an incomplete transaction until payment has been received. Many merchants, however, make the mistake of assuming that a transaction has been successfully completed when a credit sale is made; as a result, they neglect to follow up their debtors.

One home-furnishings merchant did a large business for many years but he hesitated to push his neighbors who owed him. Presently he found himself short of capital to purchase more goods. Equally as serious, customers who owed him a lot of money stopped buying from him because of embarrassment. It was easier to go for their current needs to a store where they owed nothing. With his capital tied up in questionable assets and his business falling off, he failed.

Every successful merchant who sells on credit has learned the importance (1) of emphasizing to new customers that they are under an obligation to pay on time, (2) of sending out bills promptly, and (3) of following them up with reminders and letters if there is any delay in settlement. Large stores have worked out long series of collection letters—the first simply a gentle reminder, and each successive one more strongly worded than the one before. One store has a series of ten such letters. If they all fail, the matter is turned over to outside collectors that call personally. If they too are unsuccessful, legal action is taken through the courts.

One grocery merchant explained his policy as follows: "When a customer asks for credit, I tell him I am very happy to grant it. I find out the amount of the family income and when the pay day is. I explain very clearly that I grant credit from week to week; that is, I allow him to make purchases in my store for an entire week. At the end of the week he must pay the entire bill. I get him to indicate that he understands what that means and that he is not privileged to pay on installments. Since my customers are mostly of the low-income group and since payday is usually Friday, I have statements prepared for them every Saturday. If the statement is not paid by Wednesday of the following week, I do not grant them any more credit."

"Suppose a customer who owes you \$15 pays \$5," he was asked, "and tells you that he is temporarily tied up. You can see that he is willing to pay. Do you grant him more credit?"

"Yes, I give him credit up to \$5, which brings his total amount owing up to \$15 again. In that way, no customer can keep adding to his already overdue account."

"Don't you make any exceptions—in emergencies?"

"No, I treat all customers alike. I am in the retailing business, not in the money-lending business. It is not fair to make one customer pay according to the agreed terms and to grant others (usually those who are 'slow pay') extra time."

"Do you find that you lose many customers?"

"No, not many. They realize that they are all being treated alike. Those who do not come back, because I insist upon collecting what is due me, would probably be my bad-debt losses should I allow them more credit to hold them."

HOW TO KEEP CREDIT LOSSES AT A MINIMUM

Investigate applicants thoroughly, selecting customers carefully.

Establish credit limits and explain terms clearly to customers.

Follow up promptly.

Suspend slow payers, allowing no further credit buying until payments are made or are formally arranged.

Show customers how they can save the money to pay rather than drive and threaten them.

Act decisively with those who show unwillingness to pay.

Adjustment Service

Every store is bound to receive some complaints in regard to merchandise and service. In handling complaints the store may adopt one of the following policies:

- (1) "The customer is always right."
- (2) In case of doubt, the customer is right.

SERIES OF COLLECTION NOTICES AND LETTERS

For Purchases Made in January, Billed February 1, and Not Paid Promptly

- 1-A Sent March 1 Where whole bill for January is unpaid.
- 1-B Sent March 1 Where part of January bill is unpaid.
- 2-A Sent April 1 Where no payment was received.
- 2-B Sent April 1 Where part of January bill is still unpaid.
- 2-C Sent April 1 Where a promise to pay January bill has not been kept.
- 3 Sent April 15 Notice similar to Form 2-A but in letter rather than reminder form.
- 4-A Sent May 1 Letter stating "We have not received payment" (on January purchases).
- 4-B Sent May 1 Letter stating "Thank you for your partial payment," etc. (on January purchases).
- 4-C Sent May 1 Letter stating "Your promise has not been kept," etc. (to pay January purchases).

(Across top of 4-A, B, C is the request "May we hear from you please, right away?")

- 5 Sent May 15 Letter suggesting that no future charges be made until the account is settled. (No future charges allowed without O.K. of credit manager.)
- 6-A Sent June 1 Letter emphasizing No Payment and headed "To avoid reporting your past-due account." "All members of the Merchants' Credit Bureau are obliged to report long-past-due accounts when no definite arrangement has been made for settlement," etc.
- 6-B Sent June 1 Letter emphasizing Partial Payment and starting like 6-A.
- 6-C Sent June 1 Letter emphasizing Promise Not Kept and starting like 6-B.
- 7 Sent June 15 Letter stating, "Members of this Bureau are required by their contract to report to us, on request, all past-due accounts, this information being available to any of our members who may inquire into the desirability of granting or continuing credit." It further suggests that if the customer is desirous of maintaining a high credit standing, she should communicate with the Credit Department to discuss reasonable arrangements, and it defers making the entry on the records of the Bureau for ten days to give the customer an opportunity to do so.
- 8-A Sent July 1 Letter emphasizing No Payment, headed "We value your account." The enclosure states that because of this six-month-old condition, the account cannot be left open unless payment is made within the next few days, and gives customer an opportunity to make settlement so that such action may be avoided.
- 8-B Sent July 1 Letter emphasizing Partial Payment, similar to 8-A.
- 8-C Sent July 1 Letter emphasizing Promise Not Kept, similar to 8-A.
- 9 Sent July 15 Letter stating "Temporarily suspend your charge privilege" with suggestion that as soon as balance is paid the credit department will be glad to consider a continuation of the account.
- 10 Sent August 1 Letter stating that since no satisfactory arrangements have been made for payment, unless account is taken care of within ten days it will be referred to the Legal Department.

If none of the letters in the above routine list is successful, the legal department sends out legal letters, and outside collectors are sent to call on delinquents.

The above is a list of notices and letters sent out by a successful store. On the next page are four of the notices used.

A Reminder!

Probably the balance from the previous month appearing on the enclosed bill has already been sent.

If it has, please disregard this reminder.

JORDAN MARSH COMPANY

(1-A)

Possibly you have sent a payment

Possibly you have sent a payment which we have not received, as we note an overdue balance on your account.

If it has not been sent, a remittance would be appreciated—as well as the opportunity of serving you soon.

JORDAN MARSH COMPANY

Charge account terms require that payment in full be made early each month for purchases of the preceding month

(2-A)

A Reminder!

Thank you for the payment received covering a portion of your account, as shown by the enclosed statement.

Probably the remaining balance from the previous month has already been sent.

If it has, please disregard this reminder.

JORDAN MARSH COMPANY

(1-B)

Possibly you have sent a payment

We know you have not overlooked your Jordan account because of a recent payment which you have made, for which we thank you.

Possibly you have sent another payment which we have not received, as we note an overdue balance on your account.

If it has not been sent, a remittance would be appreciated—as well as the opportunity of serving you soon.

JORDAN MARSH COMPANY

Charge account terms require that payment in full be made early each month for purchases of the preceding month

(2-B)

- (3) Whenever the store is clearly at fault, the customer is given an adjustment.
- (4) The customer is seldom given an adjustment.

No store that hopes to do a repeat business can exist if it holds to the fourth policy. But some shops at resorts that cater to visitors seeking amusement regard all sales as final.

The policy of always regarding the customer as right builds confidence. Customers know there need be no hesitancy in buying or in making their final decisions at home. The store will always take back or exchange anything that is unsatisfactory. On the other hand, this policy is open to serious abuse. In fact department stores seem to have nurtured a class of chronic returners who send back as much as—and often more than—they keep; and some customers actually use the goods for the purpose intended and return them afterwards.

To adopt a policy of accepting returns or making other adjustments only when the store is clearly in the wrong is likely to create ill will. Perhaps not one customer in a hundred really thinks he is in the wrong. To refuse an adjustment merely because the store fails to see eye to eye with him causes bad feeling. Not only is the customer likely to refuse to patronize the store in the future, but he tells all his friends about the poor treatment he has received. Since they hear only his side of the story, they are likely to accept it as the truth.

For most stores the best policy is to regard the customer as right if there is any reasonable doubt. The store will then refuse an adjustment only to those clearly dishonest people who are trying to take advantage of the store's liberal policy.

Other Shopping Conveniences

The more common shopping conveniences provided by stores are listed on page 90. No two stores, however, may provide the same services. A service that may prove valuable to one store may be an unnecessary expense to an-

other. The extent to which conveniences are provided should depend upon customer demand and not upon the fact that a competitor offers the services.

Group Presentations

Large stores have attracted many people by events of an educational or entertainment nature that are presented to customers in groups. Lectures are sponsored, courses of instruction have been given in such matters as the care of babies, how to sew, how to play bridge, how to decorate a dining-room table, and first aid. Fashion shows are presented and concerts and theatrical entertainments are arranged. From a sales point of view, the more suitable events are those that are associated with merchandise the store has to sell. Thus fashion shows and instruction in art needlework are particularly valuable from the viewpoint of increasing sales. Although such services are more likely to be provided by large stores, they are not wholly eliminated by small stores. Some dress shops, for example, have held very successful fashion shows.

Community Service

Nearly every store finds it desirable at times to make a direct, voluntary contribution to community welfare, and many stores find it wise to make such contributions as a part of their service policy. Store contributions are not limited to cash donations to the Red Cross, a hospital, or town improvement projects; they also include aid in promoting the town as a good place in which to live or to do business, and wholehearted co-operation in government and patriotic projects.

With the outbreak of World War II stores took a leading part in awakening communities to the gravity of the situation. They aided in civilian defense preparations; they sold War Bonds; and they co-operated in keeping down retail prices. In fact, they showed the greatest willingness to help influence public opinion in line with the government's policies.

Store Personality

All stores have to perform to some degree the functions of buying, storing, selling, and providing facilitating services. But stores differ in the emphasis they place on these functions, and they create personalities for themselves by stressing a certain function or combination of functions above all others.

The dominating purpose of a store is called its *central policy*. This policy gives personality to a retail institution. It results in customers associating the store with certain kinds of goods and certain kinds of service, and it builds up goodwill. Without such a central policy, a store becomes just another store that stands for nothing in particular and that appeals to no particular customer group.

Elements of a Store Personality. A store can build its personality around one or a combination of the following features:

- (1) A wide assortment and variety of merchandise from which customers may choose.
- (2) Complete stocks of best-selling items.
- (3) Newest fashions and novelties.
- (4) High quality of materials and workmanship.
- (5) Low prices.
- (6) Customer services—personal service, attractive surroundings, and shopping conveniences.
- (7) Institutional appeal—participation and leadership in community interests.
- (8) Convenience of location.

A store cannot excel in all these features at once. Thus a downtown location that is suitable for a store carrying wide assortments may not be a convenient location; emphasis on a great deal of customer service or stocking of the best quality means prices cannot be low; and a reputation for complete stocks and fashion leadership can hardly be achieved at the same time.

Again, few stores can attempt to cater to everyone in a community. People differ in their requirements in regard

to each of the eight factors named. It is generally better to adjust the store personality to suit certain clearly defined groups than to attempt to attract everyone; hence it becomes necessary to choose certain features in which to excel.

An independent grocer may decide to build his store's character around, first, excellent customer service, second, convenience of location, and third, a wide assortment. A chain grocer may put first emphasis on low prices, second on complete stocks of best-selling items, and third on the recognized quality of standard brands. To achieve his low-price policy, he may decide on a self-service and cash-and-carry operation. A filling station may emphasize convenience of location, customer service, and high quality of product, in the order named. A department store may give first attention to wide assortments, second to low prices, and third to institutional appeal. The exclusive specialty store may plan for leadership first, customer service next, and high quality third.

b. Analysis of Customer Types. (The proper combination of features can be decided upon only after the merchant has made a careful analysis of the customers in the community.) The standards of living of customers may vary from a bare-subsistence level to a luxury level. Some customers show very little interest in fashion and service and always seek bargains, while others demand maximum personal attention and late fashions and expect to pay regular prices. A store may decide to serve only women; but even then a study should be made of the age interests of customers. Thus a college student will have youthful interests (style, chic, color), while a housewife may have traditional, conservative interests (price and quality of material and workmanship). The beginning merchant should decide on the types of customers in the community that he desires to serve. He should study these customers' interests, occupations, purchasing power, and habits. Race, religion, and nationality of customers make a difference as to what prices the store should charge, what qualities the store

should carry, what assortments of merchandise the store should provide, and what service standards the store should maintain.

The customer is the most important person in retailing, and everything should revolve around him. Every retail problem should be approached from the customer's viewpoint. The wise merchant will attempt to satisfy the customer's needs and wants in accordance with his education, his standard of living, and his interests. The more the retailer studies the customer he serves, the better chance he has for success in retailing.

Adjusting Store Policies. After a store has been established, the merchant may find that his central policy does not attract an adequate body of customers; consequently he may have to change his central policy. But initial policies should not be hastily discarded. It may take a long time to make a store's personality felt, and yet that personality may ultimately bring success. Success should not be expected overnight. A major difficulty with beginning stores is not that policies are not suited, but that definite, clear-cut policies have never been adopted; hence the stores fail to make an impression on the community.

VOCABULARY

Study the following words. Try to make them a part of your vocabulary.

Adjustment policy—The attitude a store decides to take toward customer complaints.

Central delivery—Delivery service owned and operated co-operatively by stores in a town.

Open account—A credit arrangement whereby approved customers may make purchases without signing notes. Most such arrangements call for payment by the tenth of the month following purchase.

Prepacking—Packing of goods by the manufacturer in individual containers suitable for delivery to customers.

Repossess—The act of a merchant who regains legal possession of merchandise bought on installment, because of non-payment by the customer.

Storage—The holding and protection of goods between the time of their production and their final sale.

QUESTIONS ON THE CHAPTER

1. a. What two things are sold by every store?
b. What are the four general classes of services rendered by retailers?
2. a. How do stores add to the value of goods by assembling goods for the consumer? Explain with examples.
b. What more is included in the term *assembling goods* than merely bringing specific goods to customers?
3. What do many small stores regard as their main function?
4. a. What is meant by *order filling*?
b. What must the store often do in addition to merely filling an order?
5. What are the three situations when persuasion is really helpful to a customer?
6. What three possible policies in connection with mail and telephone orders may be adopted by a store?
7. What is a personal shopping service?
8. What changes have taken place during the last ten years with regard to packing goods?
9. From what four delivery policies may a store choose?
10. What are the eight advantages of a cash business?
11. a. What are the four advantages of a credit business from the customer viewpoint?
b. What are the four advantages of a credit business from the store viewpoint?
12. From what four adjustment policies may a store choose the one that will govern its handling of complaints?
13. From a sales point of view, what kinds of group presentations are most suitable? Give examples.
14. What are several forms of community service that a store may render?
15. What is meant by the *central policy* of a store?
16. What are the eight features from which a store may choose one or more upon which to build its personality?
17. What should be done by a merchant before he can decide on the proper combination of features for his store?
18. Should a central store policy ever be changed? Explain.

PROBLEMS FOR DISCUSSION

1. What distinct groupings of customer types are there in your community?
2. What are the leading stores in your community that cater to each of the groups named in Problem 1?

THINGS TO BE DONE

1. List ten stores in your community.
 - a. Which of these have their own delivery trucks?
 - b. Which of these have delivery boys to deliver by foot or bicycle?
 - c. Which of these use a co-operative or consolidated delivery system?
 - d. Which of these do not deliver?

WHAT WOULD YOU DO IN THIS CASE?

A corner grocery store changed hands five times in one year. A customer on the same block commented on the first four proprietors as follows: "Oh, Mr. Green was all right; only he never had any change. I became so thoroughly tired of it one day, that I left my order right on the counter and walked out. I never came back to him. When Mr. Williams became the owner, I went to the store because it was so convenient. He soon lost me because he kept rubbing his hands together, bowing, and repeating my name after every other word. I could never go to the store without having to say 'no' to him on the countless, silly suggestions he would offer. Even if I walked in and said that I wanted *only* a loaf of bread, he would ask me to buy many other things that he ran off like a conductor calling stations. Mr. Black kept a dirty store. He was the third change we had that year. He would handle the food even while his hands were dirty and his apron filthy. His store always seemed upset. I went in only twice while he was there. The man who came next was no businessman. He did not know enough to give the customers what they wanted. If I asked for a certain brand of canned goods, his reply would be: 'I have a better brand at less money.' This was not true, of course, and I never knew when I walked into the store whether I would come out with what I asked for, or whether I would come out hoping that what I bought would be satisfactory." Assume you are the fifth proprietor and have heard these criticisms of your predecessors. Write out some rules you would follow so as to avoid their mistakes.

CHAPTER V

LOCATION CAN MAKE OR BREAK

On the way to school one morning, a group of students observed a man standing outside a vacant store on Main Street. Each time someone passed the store the man pressed a little button on what seemed to be a clock, and occasionally he made notations in a little book. When the students came back from school, the man was still there. The next day he was there in the afternoon only, and on the following day he was there at night.

His actions aroused the curiosity of the students. What was he doing there? Why did he press a button on a little register in his hand? Why did he change the hours of standing in front of the store? What did he write in the notebook? On inquiring the students found he was conducting the research necessary to select a good site for a new store. He was recording the number of people who passed the location in order to determine whether there was enough traffic to justify the opening of a store.

Choosing the Community

The person who desires to become a merchant will probably open a store in the community in which he lives and in which he has friends and neighbors. Since he knows the community, he is more likely to be successful in adjusting his merchandise and his services to customer demand. On the other hand, there may be no need in a given town for another store of the type the would-be merchant plans to run. In this case he may consider near-by towns with which he is already familiar.

Chain-store organizations, however, and a few unattached individuals are in a position to make an almost unrestricted choice of communities. They thus have a chance to locate where the opportunity for profits is greatest. Such an opportunity will be found in towns or cities where there is

not only an opportunity to do a large volume of business but where expenses will be relatively low.

The table below lists the factors that should be considered in choosing a community for a store location. If the community seems to have an assured future with a growing population and a rising standard of living, it is generally a desirable one. In general, a community with diversified industries is likely to provide greater stability for the future than one that is dependent on one industry, such as steel manufacturing or cotton manufacturing.

FACTORS TO BE CONSIDERED IN CHOOSING A COMMUNITY IN WHICH TO LOCATE A STORE

Industries.

Population.

Standard of living and buying habits.

Banking and credit facilities.

Insurance rates.

Advertising mediums available.

Parking facilities.

Local legislation, including taxes.

Labor conditions and wage levels.

Rentals.

Transportation costs.

Competition. Is there room for a new store?

Store Locations within a Community

Central Shopping Districts. Cities and towns are made up of various kinds of districts. There is the main shopping district, commonly called "downtown." People living in all parts of the city, and even in the suburbs, naturally go there to shop. The district is usually crowded, and bus and streetcar lines converge there.

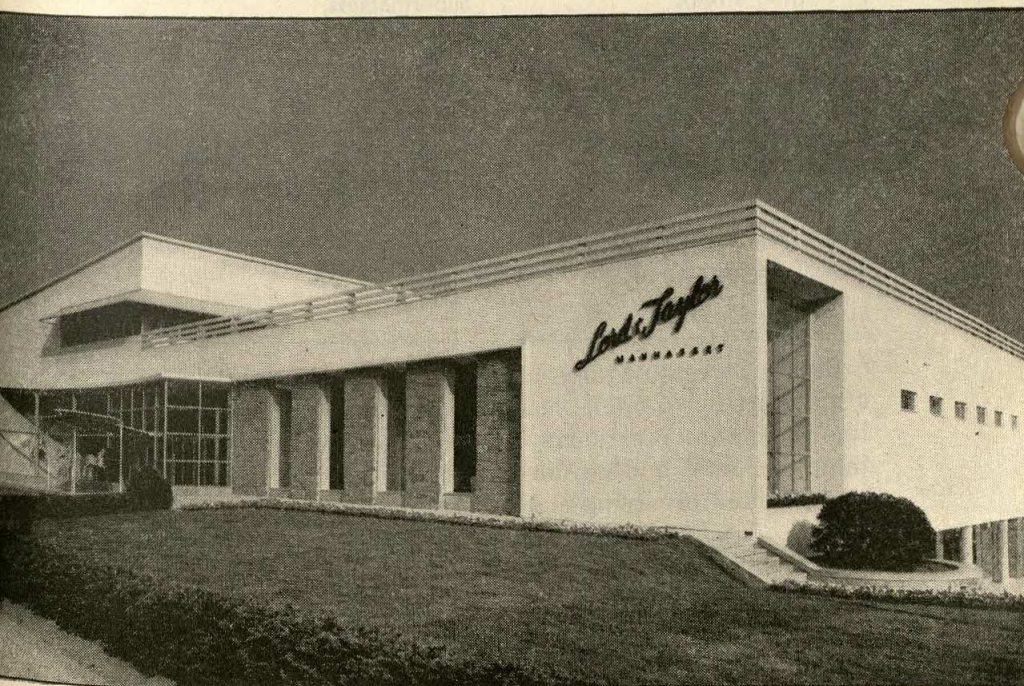
Secondary Shopping Centers. In all cities and many large towns there are secondary shopping districts. Many resi-

dential neighborhoods have a street or streets on which stores are located. The people of the neighborhood go to these secondary shopping districts because they find it more convenient than to go downtown, and there is often ample parking space. The stores on these streets are not so big as those in the main shopping districts, the crowds are not so dense, and the rents are not so high.

Suburban Shopping Centers. These are similar to secondary shopping centers, except that they are located in small communities near a large city. Suburban shopping centers are becoming increasingly important, and they contain many of the types of stores found in the downtown center. In fact, some department stores and many downtown specialty stores are opening branches in suburban centers. The time and effort it takes to go downtown, the difficulty in finding a parking place for an automobile, and the trend of population away from the big cities to the suburbs account for the growth of suburban shopping centers.

SUBURBAN LOCATION

Because of the increased parking difficulties, many central city stores have opened branches in suburban locations.



STORE SITES WITHIN A COMMUNITY

Kinds of Districts	Stores Typically Located
Downtown or central shopping district.	Department stores. Women's specialty stores. Variety stores. Women's shoe stores. Drugstores (with large novelty and luncheonette sections).
Fringes of downtown section.	Specialty groceries. Men's specialty stores. Home furnishings stores. Automobile agencies. Auto accessory stores.
Secondary and suburban shopping centers.	Same as above, but department stores may be lacking and specialty stores may be smaller.
Neighborhood.	Unit stores such as grocery stores, drugstores, stationery stores, shoe repair shops, hardware stores, and bakeries.
String street.	Supermarkets. Stationery, cigar, gift, fruit, and vegetable stores. Filling stations.
Off string street.	Supermarkets. Popular-priced department stores (of mail-order type). Popular-priced furniture stores. Popular-priced clothing stores.

String Streets. Stores are often located for miles along a main artery of traffic leading to a business center. Gasoline stations, confectionary stands, small restaurants, vegetable markets, and garden supply stores are examples of stores found on string streets.

There is a tendency for a few larger stores to locate on or very near string streets and to cater to automobile traffic. This is especially true of some supermarkets, some stores operated by mail-order houses, some furniture stores, and some clothing stores. They pay low rent and yet are able to attract many customers because they are easily reached by car and because they provide excellent parking space. The low prices that their locations and their generally limited service allow are making them of rapidly growing importance.

Neighborhood Shopping Districts. Stores may also be located on residential streets, frequently at intersections. The neighborhood pharmacist, the neighborhood grocer, the butcher, the baker, the stationer, and the shoe repairer—all find these locations well suited for their business because they deal principally with the people who live in the neighborhood. Sometimes the merchant lives back of, or over, the store.

II Selecting the Location

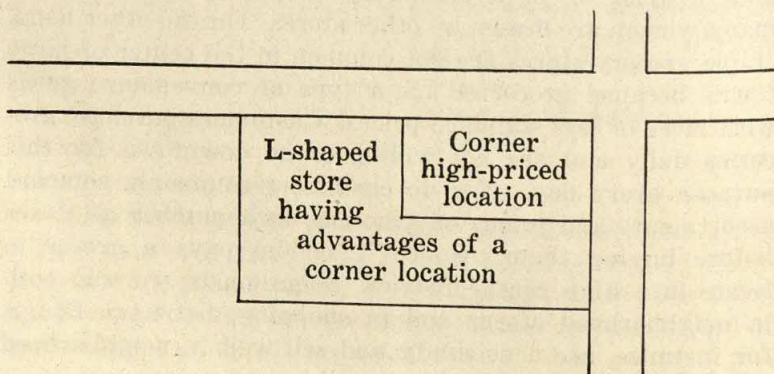
The kind of goods to be carried is often the factor that decides in which neighborhood to locate. Some kinds of goods, such as women's shoes, cannot ordinarily be sold at a corner neighborhood store. This is because women like to shop for shoes and like to make comparisons in several stores. Hence a shoe store should locate in the main shopping district or in a secondary shopping district where many women are drawn by other stores. On the other hand, staple grocery stores are not common in the center of large towns because groceries are a type of convenience goods with more or less standard prices. Customers purchase groceries daily and are not willing to go downtown for this purpose every day. Nor do customers commonly compare assortments and prices of groceries in a number of stores before buying them. Hence it seldom pays a grocer to locate in a high rental district. Some goods are sold both in neighborhood stores and in shopping districts. Drugs, for instance, are a necessity and sell well in neighborhood

districts close to the home; yet they also sell well in shopping districts. The drugstores in the center of the town, however, generally emphasize low prices. They do a large fountain business rather than a prescription trade, and carry a great variety of novelties. The chart on page 116 shows the kinds of stores suited to each location.

The Street on Which to Locate. (When the general location has been selected, the next problem is to choose the street on which to locate.) In small towns there may be only one possible street, but in larger cities the central shopping district is composed of many streets. The street chosen should be alive. An atmosphere of success brings success; "for rent" signs or darkened windows lessen the chances of success for near-by stores. The street should be in good repair, clean, and easily reached by customers.

Corner and Inside Locations. (Drugstores, even in the central shopping districts, are well suited to a corner location.) Such a location allows the store to attract passers-by on two streets. (It also provides additional window space, more light, and easy entrances.) If the store has a corner entrance, customers have to pass the entire length of the store to reach the entrance, and they thus get a chance to see the window displays.

To avoid the high cost of corner areas, there is a tendency today to rent sites a short distance from the corner on two intersecting streets. They are then connected in the back as follows:





National Cash Register

CORNER LOCATIONS

The increased window display, as well as the increased light, make corner locations more desirable and more valuable.

Rents for corner locations are high, and a drugstore may find that the lower rent asked for an inside location may make the latter preferable.

The Side of the Street. Suppose there are two "inside" locations available at the same rent, one on one side of the street and one on the other. Which one should be selected? As a general rule, the side on which there is more traffic is the better. This is often, but not always, the shady side of the street.

Sometimes customers shop on one side simply because of habit. Often, successful stores have built up one side of the street, while the other side has a reputation for stores that

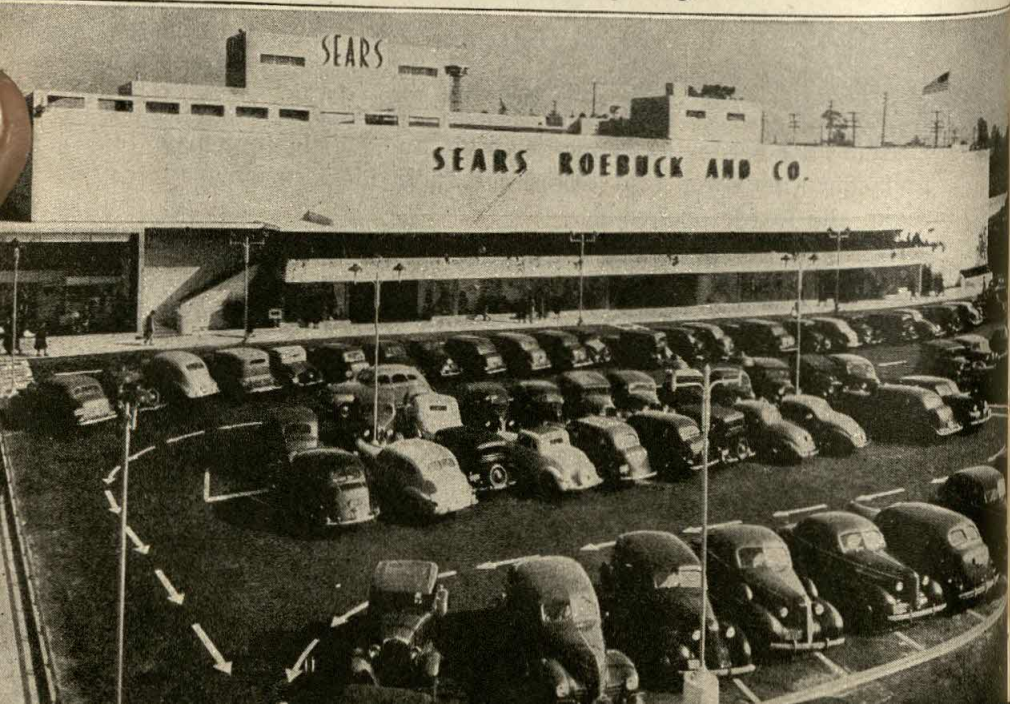
fail or for "cheap" stores. The direction of traffic on a street is sometimes the reason for one side being better than the other. For instance, in Philadelphia the traffic on Chestnut Street moves east and the women's shops are located on the south side. On Walnut Street the traffic moves west and the women's shops are located on the north side. This is because most women want to get to the nearest sidewalk after getting off a streetcar or a bus rather than cross traffic. Sometimes one side of the street caters to men and the other side to women.

① **The Parking Problem.** In central shopping districts one of the chief problems today is to provide adequate parking space. This is being solved in a number of ways:

- (1) Parking lots are being provided. A ticket indicating a purchase in one of the downtown stores sometimes provides free parking.
- (2) Buildings are being used for parking, with ramps to take cars quickly to basement and upstairs space.

THE PARKING PROBLEM

Stores in isolated districts or on string streets are making their own parking lots for the convenience of customers. This store has facilities for roof parking.



- (3) Cities are prohibiting "all-day parking" to enable shoppers to find parking space more readily. Many towns now use parking meters that permit a shopper to park for one hour for five cents or twelve minutes for one cent.

In large cities no plan has yet been devised to provide adequate parking space, except at a high cost in garages and parking lots. Subway, elevated, and surface cars and bus lines are used by the vast majority of shoppers.

The Number of Customers Who Pass. The most valuable location in the community is the site where the greatest number of shoppers pass. The best method of determining the number of customers who pass a certain location is actually to count them. This traffic count is taken by means of a clock that registers each time a little button is pressed. In order to make the count accurate, it is taken throughout the day—generally from 8 a.m. to 6 p.m. The best way is to count the traffic in one direction for fifteen minutes and then to count the traffic in the opposite direction for fifteen minutes; multiplying the total count for the day by two gives an accurate figure of the day's traffic.

Suppose it is known that the best location is on the corner of 13th and Market Streets. But there is a store there; hence the location is not available for a new store. It may, however, be compared with an available location a block and a half away by considering it as the 100 per cent location. The number of people who pass both the 100 per cent location and the proposed location during the same day may be clocked. It may be found that 800 people have passed the 100 per cent location during the 10-hour period, and that 600 people have passed the location under consideration. Thus the second location is a 75 per cent location. Rents for the two locations may then be compared and a decision may be made on the basis of the number of people who pass. For example: If the rent in the 100 per cent location is \$1,000 per front foot of space occupied, the rent for the 75 per cent location should not exceed \$750 a front foot. Stores that sell mainly to women may use this clocking



Ewing Galloway

HOW MANY ARE POSSIBLE CUSTOMERS?

The merchant must determine not only how many people pass a certain location, but *why* they pass.

device to count the women who pass the store, rather than to count both men and women.

It should be noted that the 100 per cent location is not necessarily the best one for every store. It may be best for a department store or a variety store, but not for a grocery or a men's store. The rent may be too high for the sales volume that could be obtained, and people passing this location may not be in the market for convenience and staple goods. Then too, a store such as an electrical appliance shop, providing service and repairs, is not dependent on passing traffic. It creates its own traffic through advertising and built-up reputation.

Why the People Pass. The mere fact that a large number of people pass the store does not mean that the store will be successful or that the location is a 100 per cent one. The retailer must determine *why* these people are passing. Large crowds may pass the store on the way to a bus, train, theater, post office, or bank. Such traffic is called *lane* traffic. The people involved are almost always in a hurry and would not be customers for stores carrying goods that require careful shopping.

Again, the people passing may be going to business or to work. These represent what is known as *structural* traffic. Stands selling cigarettes, newspapers, magazines, and candies nearly always are successful in locations enjoying structural traffic. Stores selling novelties, gifts, and other pick-up articles locate where there is lane traffic. Stores selling goods in which a great deal of thought or a large outlay of money is needed to buy should locate where people pass in a shopping mood, that is, where there is *shopping* traffic.

Competition. The retailer who has a service to offer his community should not be afraid of competition. If he has better goods than his competitors, or sells at a lower price, or offers better service, he should succeed. He should, however, be aware of his competitors. He should know what they are doing, how they are operating, and what they are selling, so as to maintain at least equal standards in his own store.

Where traffic is heavy, two stores handling similar lines of merchandise may locate close together and both may be successful. Thus if one women's dress shop locates on a street, a certain number of women will go there to shop. But if another dress shop locates close to the first one, the two dress shops will draw more women to that street because the customers will be in a position to shop and to compare values. Stores of the same type, very close to one another, create a shopping center. Sometimes it is wise to locate a small store next to, or very near, a large successful store selling the same line of merchandise. The small store gets the overflow business, and customers who cannot be suited in the large store or who dislike its impersonal atmosphere very often go to the small store adjacent to the large one.

Variety stores usually locate near other successful variety stores and near department stores. Shoe stores are generally found in the same block as department stores. One merchant who sells novelties, gifts, and greeting cards opened his store as near as possible to variety stores. He knew that the agents of the big variety chains were excel-

lent location spotters, and that they were required to find suitable locations through scientific analysis. Hence the merchant who located near them really profited by these investigations.

The Exact Site. Except in the case of a string street, the most suitable location is likely to have a building on it already. The new merchant is generally concerned with the suitability of an existing building rather than with plans for a new one. A chain or an established store may put up a new building especially suited to its needs; but it is seldom wise for a beginner to tie up his capital in a building.

Very often the most desirable buildings are not available for rent or they rent at exorbitant figures. In either case, a less desirable location may have to be accepted. In general it is better not to go into business at all than to agree to pay a rent so large that it may absorb most of the profits.

In determining the suitability of a building, attention must be given to the following:

- (1) Is the building large enough to accommodate the amount of business the merchant hopes to do in a few years?
- (2) Is the construction sound and fireproof? Can additional floors be added if needed?
- (3) Does it have a good heating system?
- (4) Are the windows suitable for displaying the types of merchandise for sale?
- (5) Do posts block the floor?
- (6) Are there facilities for receiving incoming goods without blocking the main thoroughfare?
- (7) Are the neighboring buildings in good condition?

Even if the building meets the requirements, alterations may be necessary, along with the provision of suitable equipment. These matters will be discussed in the next chapter.

The Lease

After a suitable and available building or site is found, the prospective merchant is ready to negotiate an agreement with the owner of this property. (An agreement for the use of property is called a *lease*. This agreement is made to run for a certain length of time, often from three to ten years. This is necessary because it takes time to build up a business, and a merchant does not want the lease to run out or the rent to be raised before a reasonable length of time. Many minor agreements between the owner and the user of the property should be written into the lease. It is wise to obtain the assistance of a lawyer in drawing up the lease because there are many contingencies that should be provided for in the agreement with the landlord.

The Rent. The rent agreed upon in the lease is generally an annual sum, payable in monthly installments, but the lessee should always think of the rent as a percentage of his sales. The percentage of sales that can economically be paid out as rent varies with the type of business and may be from 2 per cent to 10 per cent. In general a beginning merchant should try to avoid paying a rent that exceeds 5 per cent of his conservatively estimated sales. Thus if the merchant expects to sell \$20,000 worth of goods, his rent should not exceed \$1,000, or \$83 a month. Service establishments, such as beauty parlors, however, can pay considerably more in relation to sales because they have practically no merchandise costs.

Business Location Is a Continuous Problem

It should be recognized by every student of retailing that the location problem is not one that affects the beginning merchant only. Shopping centers and residential districts frequently shift, and established stores must change their locations or open branches if they are to stay in business. Insistence upon "staying put" has led to many business failures.)

Retailers who start in business for themselves should give more attention to location than they usually do. A good location can make or break a business. Even though the other principles of retailing are put into practical operation, a poor location may cause failure. If rent is too high for the sales possibilities, it is a poor location, and there is no remedy except to pull up stakes and find a more suitable location. Don't take a chance. Study the location before the store is opened—not afterward.

VOCABULARY

Study the following words. Try to make them a part of your vocabulary.

Central shopping district—The main shopping district of a city or town.

Lane traffic—People who pass a given location on their way to a bus, bank, theater, post office; their main interest at the time is not shopping.

Location spotter—An expert in store location who, among other activities, counts the density of customer traffic at different locations.

100 per cent location—The site in a shopping center passed by the most shoppers.

String streets—Arteries leading to the main shopping center on which it is profitable to locate stores catering to the customers shopping by car.

Structural traffic—People passing a certain location on their way to and from work.

Suburban shopping center—Shopping centers which are located in the suburbs of large cities.

QUESTIONS ON THE CHAPTER

1. What twelve factors should be considered in choosing a community in which to locate a store?
2. What is meant by the *central* or *downtown shopping district*?
3. What is meant by a *secondary shopping district*?
4. What is meant by a *suburban shopping district*?
5. What is a string street?
6. What is the effect of locating a store on a street that has many "for rent" signs or darkened windows on it?
7. What are the advantages of locating a store on a corner?

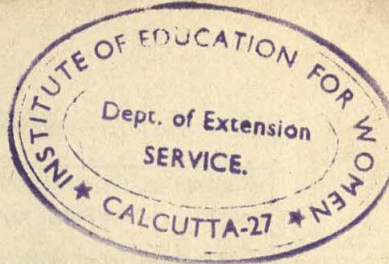
8. *a.* Why is it not desirable to try to sell women's shoes at a corner neighborhood store?
- b.* Why are staple grocery stores not common in the center of large towns?
- c.* What do drugstores in the center of a large town generally emphasize?
9. Generally speaking, on which side of the street do we find more traffic?
10. What three things are being done in our cities to help solve the parking problem?
11. What is the best method of determining the number of customers who pass a certain location? How is this done?
12. How may the amount of rent to be paid be determined by comparing a proposed location with the best location in a town? Explain with an example.
13. Does the mere fact that a large number of people pass a store mean that the store will be successful or that the location is a 100 per cent one? Explain.
14. *a.* What is meant by *structural traffic*?
- b.* What is meant by *shopping traffic*?
15. Why is it desirable to locate some stores near competing stores?
16. What six factors should be considered in determining the suitability of a building?
17. *a.* What is a lease?
- b.* Why does a lease for a store often run from three to ten years?
18. What per cent of sales may economically be paid out as rent?
19. Why must established stores sometimes change their locations?
20. If rent is too high for sales possibilities, what is bound to happen to a store?

PROBLEMS FOR DISCUSSION

1. What transportation and parking facilities are available for the central shopping district in your community? Are they adequate? What additions or improvements are desirable to make the center more accessible?
2. What is meant by the term *shopping mood* in the following statement: "Stores selling goods in which a great deal of thought or a large outlay of money is needed to buy should locate where people pass in a shopping mood."

THINGS TO BE DONE

1. Prepare a map indicating the streets and the boundaries of the following types of store locations in your community:
 - a. Central shopping district, or districts.
 - b. Secondary shopping districts.
 - c. Major string streets.
 - d. Suburban shopping districts (if any).
2. Three thousand people pass a 100 per cent location, while 1,500 people pass a proposed location. The rent for the 100 per cent location is \$500 a front foot. How much rent per year could be estimated for the proposed location if it has a 20-foot front?
3. By traffic counts, a chain-store agent determines that 4,000 people pass a proposed location on an average day during business hours. From past experience he knows that approximately 5 per cent of the passers enter the type of store he has under consideration. He knows also that usually one of every two customers that enter buys. The average sale for the type of goods in question is 75 cents. The store is open for business 306 days a year. The rent in this location is \$2,000 a year. Estimate the annual sales in this location and determine the rent percentage. (First, determine the number that will enter the store a day; next, the number that will buy; next, the amount they will spend; and next, the annual sales, based on the daily sales.)



CHAPTER VI

A WELL-DRESSED STORE INVITES INSPECTION

In front of the store on Main Street, where the location spotter clocked the traffic a few months ago, a new kind of activity is taking place. Three men who resemble doctors holding a consultation are huddled over a blueprint. Other men are moving lumber, mixing cement, and getting paint and brushes ready. In accordance with the directions specified on the blueprint, the store is being made ready to receive customers and goods in an efficient and attractive manner. Eventually a modern, up-to-date store, both outside and inside, will win customers for the retail merchant.

The Building

Although some women have developed successful clothing stores in their own homes and factory buildings have been turned into supermarkets, it is generally desirable to locate a store in a building that has been especially designed for retail selling. Such a building will have wide entrances, windows along the street on which it faces, adequate facilities for carrying customers to the various floors, and broad, unobstructed selling areas.

The newer store buildings in the suburban areas of large cities are only one or two stories high, with a basement; hence elevators are not necessary. Sometimes windows are not depended upon to give light within, but are used for display only. Thus there is a maximum of usable floor and wall space, a conservation of heat, and less dirt infiltration. One such store has a ramp to the roof, which is used as a parking space.

The Store Front

The first step in selling is to attract attention, and this may be done through an attractive store front. Modern store fronts are simple, with no ornamentation to detract

WHAT MAKES A STORE ATTRACTIVE

Modern front with low, well-lighted windows.

Layout that allows direct flow of traffic.

Wide aisles.

Low counters and fixtures that do not obstruct the view.

Signs and posters that do not obstruct the view.

Appropriate floor covering.

Cleanliness.

Merchandise in clear view.

Orderliness in merchandise arrangement.

Adequate lighting.

Air conditioning.

Harmonious color combinations.

Well-groomed salespeople.

from merchandise displays. Entrances are planned so that a customer may enter without going up or down steps. Some stores have the windows so arranged that in looking at a window display the customer is drawn toward the entrance. Successful merchants are giving more attention to the height of windows, to the space for signs or electric displays, to the color schemes of the exterior of the store, and to the door. These features are being modeled so as to present a pleasing store front, suitable for the kind of merchandise to be sold. The "face" of the store helps give the store its personality. If the windows are clean and bright, if displays are changed often, if well-lighted entrances are provided, the store will give an impression of dependability and success. An attractive front is to a store what an attractive appearance is to a man.

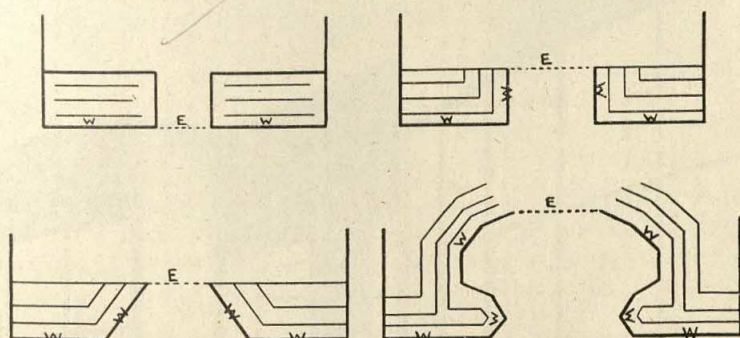
Windows

Windows should be suited to the kind of merchandise that will be displayed. Thus department stores need high

and deep windows to exhibit furniture as well as smaller articles; drugstores and variety stores find wide, shallow windows more suitable; and jewelry and optical goods stores can use narrow and shallow windows.

Window backgrounds are of three kinds:

- (1) The closed background found in the majority of department stores.
- (2) The semiclosed background, with a partition, often found in hardware stores, drugstores, and laundry-service shops.
- (3) The open background that shows the entire interior of the store. Such backgrounds are often found in grocery stores, flower shops, auto showrooms, and service establishments—such as barber shops and tailor shops, and in the newer suburban department-store branches.



STORE WINDOW AND ENTRANCE PLANS

E = Entrance

W = Window

The closed background aids the customer to concentrate on the goods displayed, provides adequate lighting, and protects merchandise. On the other hand, the open background cuts down the customer's hesitancy to enter a store. He can see the people shopping inside and is less likely to feel that he will be accosted before he is ready to buy. The plan also allows goods in the window to be removed and sold. By admitting light, it may also reduce interior lighting costs.

Entrances

Entrances should be wide enough and numerous enough to enable customers to enter without effort after looking at a window display. To prevent drafts that jeopardize the health both of employees and of customers, revolving doors, heated vestibules, or both, may be used. If neither of these is feasible, swinging doors that will close themselves should be installed.

A MODERN ENTRANCE

Artist's sketch of the proposed entrance to the Old World Shop at Frederick & Nelson, Seattle division of Marshall Field & Company. Antiques assembled from pioneer Seattle homes, and treasures gathered from the markets of the world will be offered here.



Equipment

During the past few years merchants have taken a keen interest in equipment. The term *equipment* includes store fixtures (the cases and similar objects needed to store, protect, or display goods) as well as machines, appliances, lighting fixtures, and devices—in fact everything, except the building and the merchandise itself, that is necessary to perform the selling and the nonselling functions of stores.

Articles of equipment may be grouped in the following classes:

I. Selling Equipment.

Display cabinets and cases.

Shelves.

Counters.

Tables.

Refrigerators and frozen and chilled food containers.

Belt conveyors (moving belts that carry packages to or through the delivery room).

Cash registers.

Tube system (a series of pneumatic tubes that transmit small carriers containing cash and sales checks).

Cable system (carriers transmitted by wires, not tubes).

Floor coverings.

Telephones, public and private.

Telephone authorizers (a telephone and stamping apparatus with which the salesperson telephones the office for authority to sell to the customer on credit and the sales check is O. K.'d in the selling department by the pressing of a button in the office).

Specialized equipment for soda fountains, beauty parlors, etc.

Weighing machines and scales.

Measuregraphs (devices to measure off yard goods more accurately than by means of a yard rule).

Display racks.

Lighting fixtures.

II. Building Equipment.

Elevators.

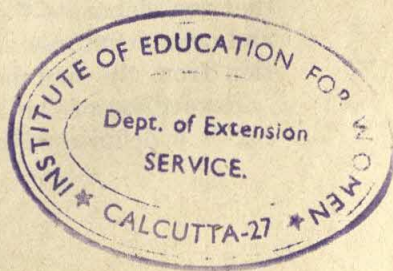
Escalators.

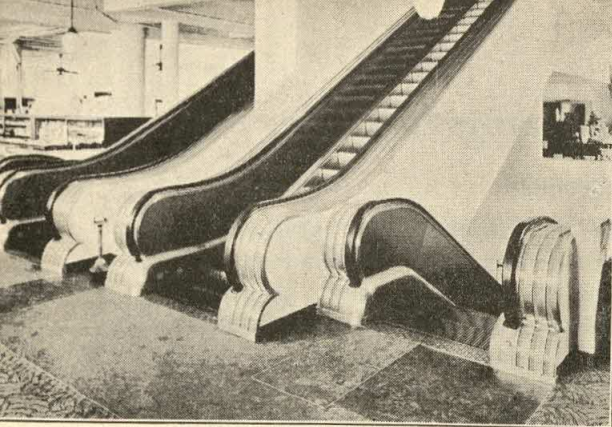
Heating equipment.

Lighting equipment.

Plumbing.

Power plant.





Burdine's, Miami, Florida

MODERN BUILDING EQUIPMENT

The escalator saves time for customers and relieves them from the necessity of pushing into overcrowded elevators.

Spiral chutes (used to carry merchandise from an upstairs stockroom to lower floors).

Sprinkler system.

Air-conditioning system.

III. Nonselling Equipment.

Delivery trucks.

Hand trucks.

Movable marking tables.

Marking and ticketing machines.

Duplicating and mailing machines.

Dictographs.

Telautographs (a message inscribed at one point in the store is transmitted electrically so that a moving pen writes it at another place).

Time clocks.

Paper-baling machine.

Typewriters.

Calculating machines.

Bookkeeping machines.

Microfilm equipment.

Sewing machines.

Call system (bells or lights to locate an executive).

A merchant should equip his store with fixtures that are in keeping with the kind of business he wishes to operate and with the nature of the merchandise sold. Modern, up-to-date fixtures say to a customer, "Here is an up-to-date merchant who is likely to have a good selection of quality merchandise." It must be remembered, however, that too elaborate fixtures are not desirable, for elaborate and ornate fixtures are likely to take the customer's attention from the merchandise.

Regardless of the kind of store, a handsome floor covering is a definite sales asset. The floor covering should be

chosen with care so as to insure easy cleaning, long wear, attractive appearance, and resiliency that will minimize fatigue. Expensive floor coverings are not necessary, of course, in stores in which emphasis is placed on low prices; but even low-priced floor coverings can be attractive in appearance.

A type of equipment that is becoming of major importance today is the air-conditioning system. Although some air-conditioning systems merely circulate and filter the air, others add or remove moisture to provide the most healthful humidity, and still others actually cool the air. Both large and small stores find that a cool store draws customers in summer. Stores in which customers shop around or eat find air conditioning particularly necessary. Although the high cost has deterred many merchants from installing the equipment, the success of those stores that are air conditioned may gradually force the majority of stores to follow suit.

Lighting

A well-lighted interior is a good advertisement; yet many merchants who spend thousands of dollars on newspaper advertising hesitate to install an adequate lighting system.

Illumination is measured by a unit called a *foot-candle*. Foot-candles may be measured by means of a meter that looks like a small, thin desk clock and that provides for readings from 0 to 750 foot-candles. The general interior of a store should usually be illuminated to 20 foot-candles, showcases to 50-100 foot-candles, and show windows to 50-200 foot-candles. To determine the number and the power of light fixtures necessary to provide a desired number of foot-candles requires the assistance of a lighting expert. The General Electric Company has a service department that will aid merchants in their lighting problems.

The chief factors to be considered in planning a lighting system are: (1) the type of fixtures; (2) the number of lamps used for fixtures; (3) the length and the width of the room; (4) the height of the room; (5) the color of walls and ceilings; (6) the nature of the merchandise.



Owl Drug Company

DRUGSTORE—OLD TYPE AND NEW TYPE

The upper photograph shows the original store of a large drugstore chain, opened in 1892. The lower photograph shows a new store opened in 1942 by the same chain. Notice the difference in the shelving, showcases, and lights.

ADVANTAGES OF GOOD LIGHTING

- Increases selling power of displays.
- Makes the store pleasant and up-to-date.
- Permits customers to inspect offerings carefully and to buy with less likelihood of merchandise being returned.
- Lessens salespeople's fatigue.
- Allows more complete utilization of floor space.

Tests made in Chicago proved that proper lighting of merchandise in some cases increased sales 20 per cent. Poor lighting is the cause, in many instances, of merchandise being returned or of not being sold at all. Because customers can examine goods more readily in a good light, confidence is increased and sales are made in less time. Stores frequently supplement ordinary lighting fixtures with spotlights that illuminate special displays.

Lighting Systems. There are four types of lighting systems:

- (1) *Direct*: Virtually all the light comes downward directly from the lighting units.
- (2) *Semidirect*: Most of the lighting is direct, but some is reflected from the ceiling.
- (3) *Semi-indirect*: Some of the light is transmitted directly downward but over one half is reflected from the ceiling.
- (4) *Indirect*: Practically all the light is diffusely reflected from wide ceiling areas.

Semidirect lighting is commonly used for store interiors because it is inexpensive and fixtures are easy to keep clean. Fixtures should be at least 12 feet from the floor to avoid glare. Three-hundred-watt lamps are commonly used and they are usually placed 10 to 15 feet apart—depending on the factors listed on page 135.

Semi-indirect and indirect fixtures are becoming increasingly popular for high-class stores because of the well-

diffused, soft light, but they consume more electricity. Five-hundred-watt lamps are commonly used.

Types of Lamps. Electric lamps used in either direct or indirect systems may be classified as filament and electric-discharge. In the former a fine wire glows when electricity passes through it; in the latter the electricity "jumps" from one electrode to another. This flow may take place in a vacuum or in a vapor. The fluorescent lamp is an important kind of electric-discharge lamp. The flow of current takes place through mercury vapor that activates a powder coated on the inside of the bulb. Fluorescent lamps give more illumination per watt and are thus cheap to operate. They also provide a soft, cool light. On the other hand, the initial cost and the renewal cost of equipment is high, and extra current is consumed in heating circuits when the lights are turned on.

ADVANTAGES OF THE FLUORESCENT LAMP

Gives soft, diffused light with little glare and thus makes possible the effect of indirect lighting with direct lighting.

Has a low operating cost in relation to illumination provided (high efficiency of light per watt).

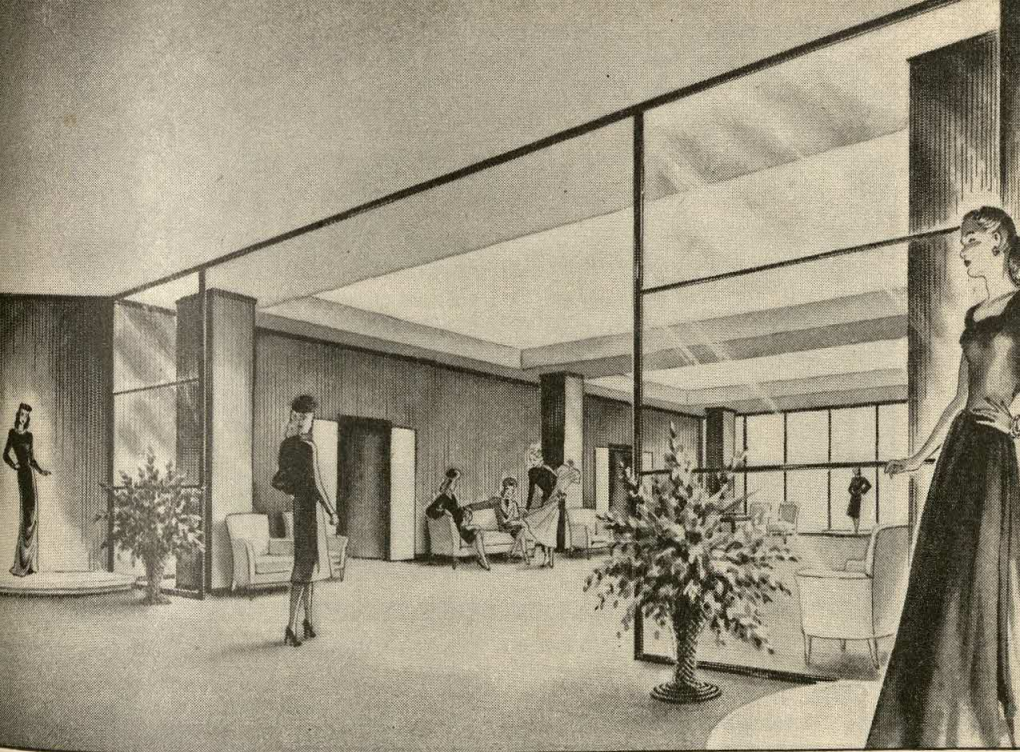
Is relatively cool.

Can give a daylight effect.

Can be fitted cleverly into the architectural scheme. Especially good for supplementing lighting in cases, shelves, and niches.

Allows great variety in the use of color.

Walls and Ceilings. To get the most out of a good lighting system, it is necessary to have light walls and ceilings. Good colors are cream, white, and greenish gray, with the ceilings even lighter than the walls. A cream color never creates glare. The effectiveness of a lighting system may be reduced as much as 40 per cent by dirty or dingy ceilings and walls; hence they should be kept clean.

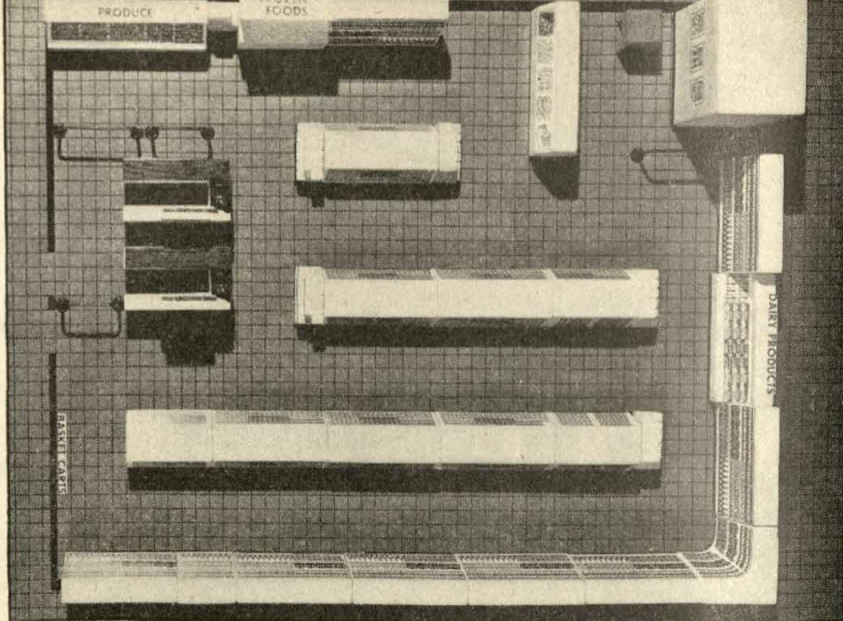


A MODERN GOWN SALON

A new gown salon for fine apparel is expected to be one of the highlights of the modernization program announced recently by Frederick & Nelson, Seattle division of Marshall Field & Company. The layout of the smart shop is designed to provide an atmosphere of relaxation and individuality for more leisurely shopping.

Layout

The division of a store for the sale of various kinds of goods, for displays, for stockrooms, and for the receiving and delivering of goods is called a *store layout*. The small retailer may take his cue from the large store where the problem of store layout is given considerable attention. In a large store a diagram is made of the space on each floor, and a value is placed upon each section of the store. Then goods are assigned to spaces in accordance with customer convenience and with the sales and profit possibilities of the goods. Every merchant knows that the front part of the store is more valuable than the back, and that the first floor is more valuable than the second. Consequently the back of the store, or the upper floors of the store, are given over in part to nonselling activities, such as receiving, marking, storing, and the keeping of accounting records.



MERCHANDISE ARRANGEMENT

Miniature store fixtures are sometimes used to determine how merchandise can be arranged for greatest efficiency. This plan of gondolas and shelving is for a self-service food market. Can you suggest any changes?

Merchandise Arrangement. Store layout is considered from the customer's viewpoint as well as from the expense angle. In the case of a drugstore, for example, where would a customer expect to find toothpaste, soap, or dental cream? Will the customer go to any part of the store for a certain cough medicine that he wants? Are tonics called for frequently; if not, would it be wise to place them in the front of the store? Nose drops and cold remedies are moved a little nearer to the front of a drugstore in the wintertime. It is often desirable to place items for which a customer makes a special trip to the store in the back or on an upper floor. Customers do not resent the extra distance inside the store, since they have made a special trip to the store to purchase the articles.

Department stores commonly place furniture, rugs, and outer clothing upstairs because customers make special trips to see them. Near the front of the main floor, department stores generally carry hosiery, neckwear, costume jewelry, handbags, and umbrellas. Silverware is often placed in this location because an effective display can be

made in a small space. Men's furnishings are also carried near an entrance, although not necessarily the main entrance, because men do not like to pass through women's departments. Yet the men's-furnishings department must be easily accessible to women, since women do much of the shopping in this department and frequently buy ties and shirts for male members of their families with little advance consideration.

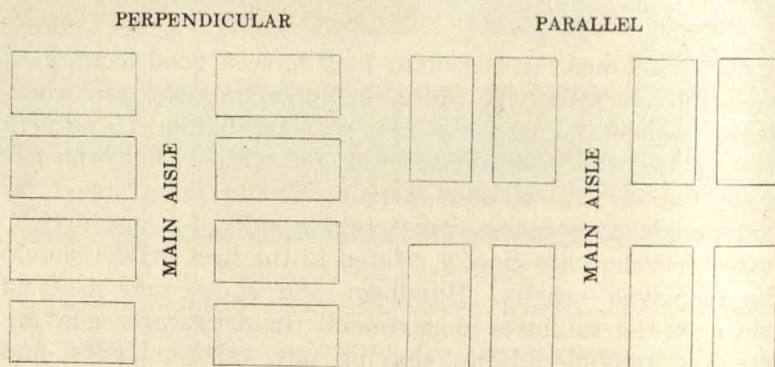
Related Lines. A merchant may have a good location, a well-lighted, attractive store, fine merchandise, and courteous salespeople; yet his sales may lag behind those of a competitor who does not have as fine a store, but who has a better layout. Related articles should be grouped together. If a customer comes into a store for one article, other merchandise closely related to the first article should be displayed nearby. Handbags and shoes may be sold close to the millinery department. In drugstores shaving creams, shaving lotions, shaving talc, razors, blades, and shaving brushes should be close together.

Placing similar lines of goods together saves the customer both time and energy by calling to his attention goods that he will need later, but can buy now. The grouping of related merchandise also makes it convenient for the salesperson to serve the customer quickly, and makes it easy to offer suggestions.

Some Principles of Arrangement. The following rules should be followed in planning the general arrangement of aisles, counters, and other fixtures:

- (1) Set up wide aisles in which at least three people can walk abreast.
- (2) Have the aisles run without obstruction from entrances to such points as elevators, escalators, and stairways.
- (3) Have counters, cases, and shelving, except for fixtures along the walls, so low that customers can obtain a view of the entire floor.
- (4) If possible, place the counters in a position perpendicular to the main aisle rather than parallel so that

customers who wish to examine goods need not be jostled by passing traffic and so that customers will see a greater variety of goods as they pass by. Especially attractive displays are arranged at the ends of units facing the main aisle. The following plan shows the two layouts:



- In the newest store layouts, architects are using fewer rectangular floor layouts; instead, they use aisles with gentle curves. This arrangement provides for better distribution of customer traffic through the store because customers follow a curved path more readily than they turn a sharp corner.
- (5) In the case of departments where privacy is required because goods must be tried on, higher partitions may be desirable. Spacious, well-lighted dressing rooms should be provided for trying on dresses, coats, and suits. In fact most sales in these lines are made in the dressing room and not on the floor.
 - (6) In general the floor arrangement should allow customers to get close to the goods on shelves and in displays, for goods that can be examined without the salesperson's intervention often sell themselves. Thus in self-service and semi-self-service stores there is a tendency to eliminate counters standing in front of shelves.

AISLE TABLES

Notice the aisle tables with enclosed storage space beneath. Also notice the neat sign racks, the cash register, and the semidirect lighting.



- (7) Except for self-service stores, frequent stations should be provided for wrapping and change making. It should not be necessary for a clerk to make a long trip to wrap goods and to make change. On busy floors where the merchandise is of low unit value, cash registers are to be preferred because of the speed in making change. For more expensive merchandise, such as jewelry, centralized tube systems are satisfactory.

Aisle Tables. For grocery stores and popular-priced department and specialty stores, *aisle tables* have many advantages. They make it possible to bring a great deal of merchandise to the favorable attention of people who are passing through the store. For example, a man who has no intention of visiting the men's-furnishings department in a department store may buy a shirt if he sees a special value on an aisle table on his way to an elevator. Aisle tables may be used to help dispose of marked-down goods, or to sell new goods of an impulse nature that many people would miss if they were carried in the regular departments only.

On the other hand, aisle tables add to congestion and attract bargain hunters who may not buy regular merchandise as well. The danger of theft and damage to merchandise is also increased. Thus some exclusive stores deliberately avoid them.

Merchandise Islands. The *island* is similar to the aisle table but has an open space in the middle where a sales-

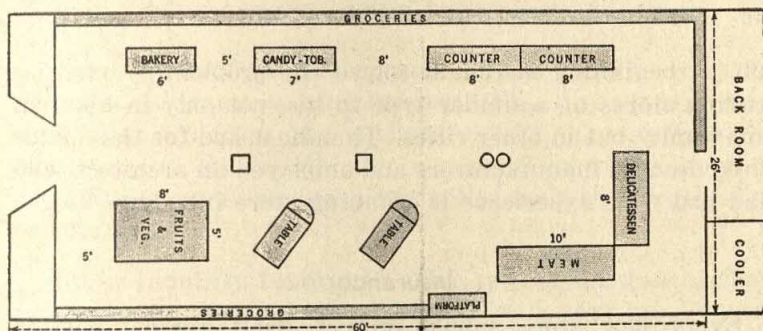
person is stationed to serve customers on all sides. It allows for better display and protection of the goods and for very rapid handling of sales. It is excellent for the sale of one or two commodities that sell rapidly enough to keep one clerk busy.

Self-Service Layout. With the increase in self-service and semi-self-service stores, layouts are being planned that will make it possible to display all the stock and to make it all accessible to the customer. When there is complete self-service, however, it is necessary to install wrapping stations and change-making stations that control all of the exits.

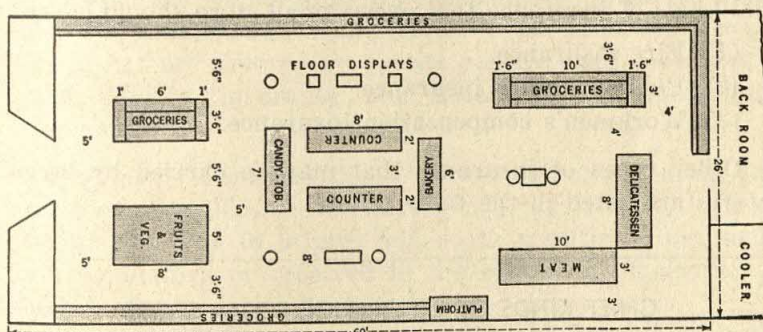
The three charts on page 145 show how a grocer can adjust his layout, depending on the type of service he wishes to render.

Changing Layout. Sometimes sales prove unsatisfactory and the store layout must be changed. Often customer habit, such as that of going to the right, will influence the layout. Department stores have endeavored to distribute "customer traffic" evenly by placing attractive displays on the left side of the store in sections away from entrances and elevators. Many times the layout must be changed because of the type of customer the store handles. For example, the average customer is interested in quality and price, and stores that cater to this group do not need expensive fixtures, wide aisles, and lavish displays. On the other hand, stores that cater to customers who are interested in fashion first, quality second, and price last, must plan their layout with wide aisles and must provide for customer comfort. A layout that makes extensive use of aisle tables and bargain counters would prove unsatisfactory in such a store.

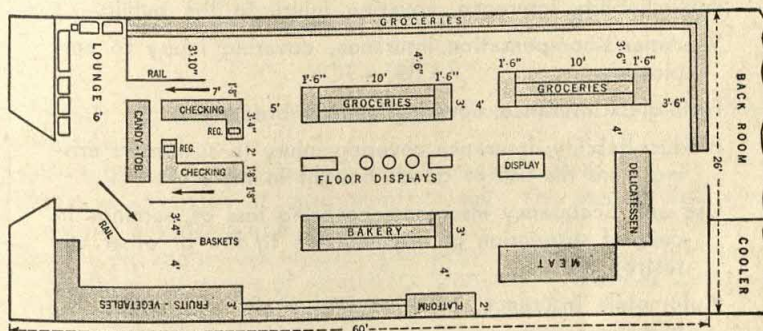
Aid in Planning Layout. Some large stores have special planning departments that devote much of their attention to layout planning. Small-store operators, on the other hand, often fail to realize the importance of scientific layout and lack the time and the training to do an efficient



A



B



C

The Progressive Grocer

LAYOUTS FOR A RETAIL GROCERY STORE

The floor arrangement in Chart A was the arrangement used by a grocer who gave counter service. Chart B shows another arrangement for the same store that permits the giving of counter service but that also makes it possible for some customers to serve themselves if they wish. Chart C is a further revision of the layout for the same store for complete self-service.

job. A beginning merchant solved the problem by visiting leading stores of a similar type to his, not only in his own community but in other cities. Then he asked for the advice of equipment manufacturers and employed an architect who had had wide experience in planning store interiors.

Insurance

Every new store should protect itself against certain risks by means of insurance. The following are the essential kinds of insurance that every small store should carry:

- (1) Fire insurance.
- (2) Public liability insurance.
- (3) Workmen's compensation insurance.

Other types of insurance that may be carried by large stores are listed in the table below.

CHIEF KINDS OF INSURANCE FOR A STORE

Fire insurance, covering loss by fire.

Public-liability insurance, covering injury to the public.

Workmen's-compensation insurance, covering injury to employees.

Plate-glass insurance, covering window breakage.

Product-liability, insurance covering injury to customers arising from the use of goods bought in the store.

Use and occupancy insurance, covering loss of earnings in case of suspension of business due to fire or other catastrophe.

Automobile insurance, covering fire, theft, and public liability.

Burglary insurance, covering forcible entry and theft of merchandise and cash.

Fidelity bond, covering theft by an employee.

Fraud insurance, covering counterfeit money, bad checks, larceny, and some robberies.

Fire Insurance. Fire insurance on buildings is separate from fire insurance on merchandise stock. Since most stores lease their buildings, the landlord usually takes care of the insurance on the buildings. In general, however, a store should take out a fire insurance policy on both merchandise and fixtures.

Public-Liability Insurance. This type of insurance offers protection against claims or damage suits that arise out of accidents causing bodily injuries (or death caused thereby) to persons not employed by the policyholder. It covers damages and accidents that may occur on the premises, except those that are covered by special policies such as elevator public-liability insurance and automobile public-liability insurance.

Workmen's Compensation. Workmen's-compensation insurance indemnifies the employees of a merchant for injury, loss of time due to injury, and death resulting from such injury obtained or received in the course of employment. Such insurance is required by law in various states. Without such insurance, a merchant might find himself liable to make heavy payments to an employee who sustained an injury while on the job.

VOCABULARY

Study the following words. Try to make them a part of your vocabulary.

Aisle table—A selling table placed in a traffic aisle.

Fixtures—Articles of equipment to help the selling and non-selling activities of a store.

Fluorescent lamp—An electric-discharge lamp causing light to be produced by means of electricity "jumping" from one electrode to another.

Layout—The division of a store into the various selling and non-selling departments, the arrangement of the aisles and placement of the counters and other fixtures.

Merchandise island—A selling fixture with a center opening where a salesperson is stationed to wait on customers on all sides.

Related lines—Similar lines of goods in which the purchase of one suggests the purchase of the other.

QUESTIONS ON THE CHAPTER

1. What thirteen things make a store attractive?
2. What are some of the characteristics of the newer type of suburban store buildings?
3. *a.* Why are modern store fronts simple?
b. What is the rule with regard to front steps in a modern store building?
4. What are the three kinds of window backgrounds?
5. *a.* What does the term *equipment* include?
b. What message do up-to-date fixtures convey to a customer?
6. What are the four characteristics of a good floor covering?
7. What are the six factors to be considered in planning a lighting system?
8. What are the four kinds of lighting systems? Describe each kind.
9. *a.* What is a filament lamp?
b. What is a fluorescent lamp?
c. What are the six advantages of a fluorescent lamp?
10. What is meant by a store layout?
11. Why should the back of a store or the upper floors of a store be given over to nonselling activities?
12. *a.* Why do department stores commonly place furniture, rugs, and outer clothing upstairs?
b. Why are men's furnishings carried near an entrance to a department store?
13. Why should related articles be grouped together?
14. What are the seven rules to be followed in planning the general arrangement of aisles, counters, and fixtures?
15. *a.* What is the advantage of using aisle tables or merchandise islands in grocery stores or popular-priced department stores?
b. How does an *island* differ from an aisle table?
16. What are the main things to be kept in mind in planning the layout of a complete self-service store?
17. *a.* How have department stores endeavored to distribute customer traffic?
b. What type of layout should generally be followed by a store that caters to customers who are interested in fashion first, quality second, and price last?
18. *a.* How do some large stores take care of their layout planning?
b. How did one beginning merchant solve the problem of planning his layout?

19. Does fire insurance on buildings cover insurance on merchandise stock?
20. *a.* What is public-liability insurance?
b. What is workmen's-compensation insurance?

PROBLEMS FOR DISCUSSION

1. What are the advantages and the disadvantages of a brick building compared with a frame building?
2. What are the advantages and the disadvantages of a one-story building compared with a multiple-story building?
3. What kind of window background is best for each of the following kinds of stores?
 A stationery store. A pharmacy (no soda fountain).
 A variety store. A shoe repair shop.
4. What are the advantages and the disadvantages of escalators as compared with elevators?
5. What departments do reasonably well in a second-story location? Why? In a basement location? Why?
6. In what types of stores is air conditioning essential today? In what types is it desirable? Is it unnecessary in any types?
7. Is there any danger of a store being overlighted?
8. What is the difference between merchandise arrangement and counter arrangement? Give an example of merchandise arrangement based on a grouping of related lines.
9. Do some stores in your community use aisle tables? If so, what kinds of stores?

THINGS TO BE DONE

1. Classify twenty-five stores in your community according to the types of signs used to identify them. Use the following classifications:
 - a.* Neon sign standing out from building.
 - b.* Neon or other electric sign across the store front.
 - c.* Nonelectric sign standing out from building.
 - d.* Nonelectric sign across store front (may be lettered on the building itself).
 - e.* Small name plate only.
 - f.* Combination of *a* and *b*.
 - g.* Combination of *c* and *d*.
 - h.* Other combination.

Under each classification, note the information given on the sign. Is it the store name only, the merchandise only

- (such as furs), or a combination of both? What conclusions can you come to in regard to the type of identification generally used by different types of stores?
2. Make a list of selling equipment found in the grocery store at which you deal.
 3. Refer to the list of fixtures on page 133. Select from them those that you regard as essential for each of the following types of stores:

a. Grocery and meat store.	f. Men's-furnishings store.
b. Department store.	g. Furniture store.
c. Drugstore.	h. Hardware store.
d. Women's-apparel shop.	i. Shoe store.
e. Millinery store.	
 4. Visit ten stores in your community and notice the type of lighting fixtures used and whether filament or fluorescent lamps are used. Each student will report to the class, and a summary will be made of class findings.
 5. Visit ten stores and notice the type of floors or floor coverings used in each. What are the most common materials used? Is there any relationship between the type of store and the type of floor covering?
 6. Visit a department store. List the kinds of goods sold on the ground floor.

WHAT WOULD YOU DO IN THESE CASES?

1. A customer asked to see a coat in the display window of a large department store. There was no other coat quite like it in the coat department on the third floor. To remove the coat would mean calling the display department, getting another coat to substitute for it, and waiting perhaps half an hour for the exchange to be completed. What policy or policies should the store adopt to cover this situation?
2. If you were asked to help place the following departments, near what other departments would you locate each? Why?
 - a. A men's-furnishings department.
 - b. A junior misses' dress department.
 - c. A book department.
 - d. A millinery department.

CHAPTER VII

ORGANIZING THE STORE

Nature of the Organization

A young man with considerable natural ability and a pleasant, courteous manner opened a small confectionary business in a stall against one wall of a corner building. At first he did all his work himself, but before long he had to have a boy to help him part time.

His stall prospered and he moved into a near-by store where he added stationery to his stock of goods. He employed a full-time salesclerk, a part-time janitor, and a little later a bookkeeper who came in once a week to keep his records.

He was in a growing community and people asked him for many items he did not carry. He adopted a policy, however, of getting anything they wanted from a near-by city on twenty-four hours' notice. Soon he added to his regular stock the items for which he most often took special orders. He employed a full-time bookkeeper and a handy man who acted as janitor, helped with stock work, and occasionally delivered packages. The young man decided to advertise in the local newspaper. At first he tried to prepare the copy himself; but as he lacked the time and the training that were needed to write appealing advertisements, he hired a young woman to write his advertisements and to sell during busy times.

The store grew into a department store. The handy man became superintendent in charge of the building, of receiving and delivery, and of personnel; the salesman became one of a number of buyers with salespeople under his direction; the bookkeeper became controller in charge of records, planning, and credits; and the young woman who wrote the original advertising became advertising manager with general supervision over the show windows as well. The proprietor himself continued for many years to supervise the

buyers in their selection, pricing, and selling activities, but in time he hired a merchandise manager to take his place so that he could act as a general manager, co-ordinating all branches of the business.

Arrangement of Functions. Thus, out of necessity, the different functions that had to be performed were divided and arranged to suit the needs of the business at each stage of its development. This arrangement of the different parts of a business so that they will perform essential functions is called *organization*.

Organization is found everywhere. It is found in the home, where the work of running the household is divided among the members of the family. The father does the things for which he is best suited, including taking care of the finances, the lawn, and the furnace. The mother does the things for which she is best suited, including taking care of the food, the clothes, and the cleanliness of the home. The son runs the errands, attends to the car, and does other small chores assigned to him. The daughter takes care of the upstairs bedrooms and other work assigned to her by her mother. This is organization in the home. If the parents assign jobs to the children and to themselves in accordance with the ability of each and if they check up to see that everyone does what is assigned to him, the home will run smoothly.

There is also organization in the school. The principal takes care of certain administrative work that must be done and for which he is suited through training and experience. There may be a secretary in the office to write letters and to keep records. The teacher has a different kind of work to perform, and the janitor has a distinct and important place in the organization.

Wherever there are a number of different kinds of work to be done and a number of people to do the work, a plan should be made whereby work is assigned to the people most able to do it. This is called an *organization plan*.

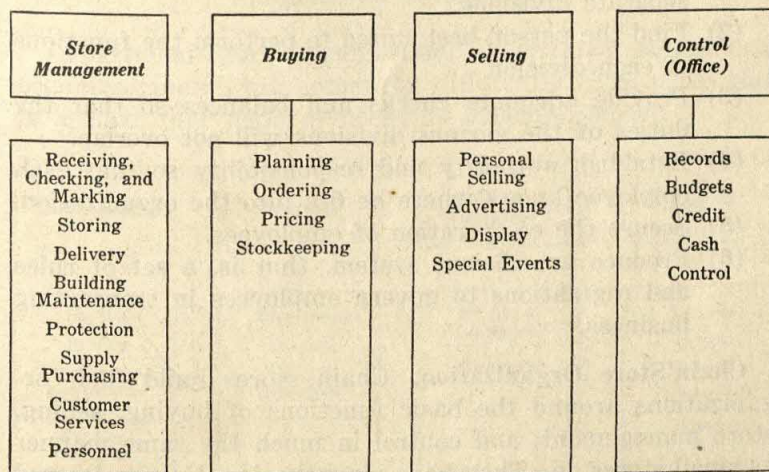
Organization Plans Vary. There is no standard type of organization plan for retail stores. Plans will vary with the

size of the store, the merchandise, the policies, and the kind of ownership. But the retailing activities are the same in all stores since all must (1) buy goods, (2) sell them to customers, (3) help these transactions by providing a storage place and by performing the necessary physical movement of merchandise into and out of the store, and (4) keep records as a guide to profits.

Organization Charts. A store may use a chart to show how work is divided. A chart gives a graphic picture of the work of the store and of the flow of authority, and it shows the people to whom workers are responsible.

Small-Store Organization

Because one man supervises all the activities of a small store, he may feel that it is unnecessary to bother with an organization plan; in fact, few small retailers give much thought to the principles of organization. Nevertheless a small store may be successfully organized, and thereby time, energy, and money may be saved. The work of a small store may be divided into four parts, as indicated in the following chart:



THE SMALL MERCHANT'S FUNCTIONS

A chart similar to the preceding one will help the merchant divide his time more effectively. He may plan certain times during the day or the evening for the performance of each type of work. He will not neglect one essential duty because he is engrossed in another. Should he need additional help from his family or employed clerks, he can readily assign certain duties and definite responsibilities to them.

Large-Store Organization

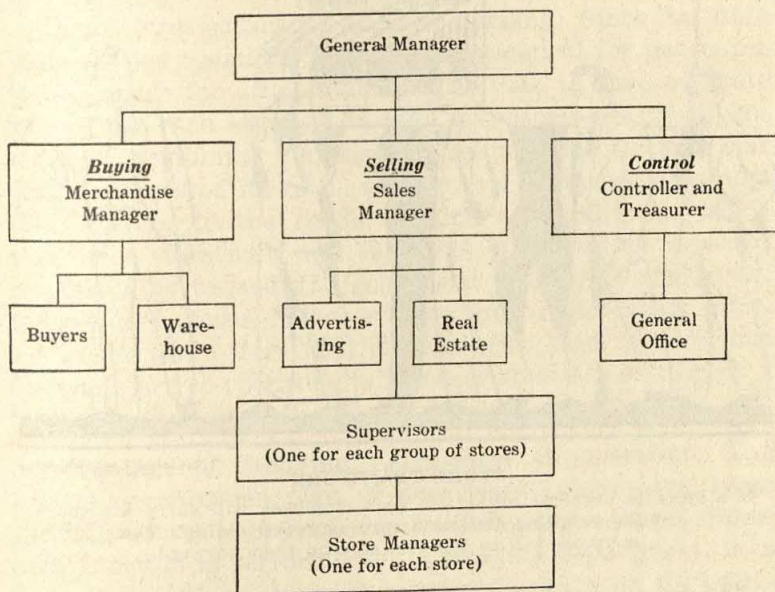
Greater Necessity for Organization in Large Stores. As more and more employees are added, the proprietor finds it impossible to pass upon every detail in the operation of his store; hence he places certain individuals in charge of special divisions of work. The proprietor retains his hold over his business by requiring these executives to submit to him reports about the workings of their respective divisions. Thus, in a condensed form, he knows what is going on, supervises wherever necessary, and gets his orders carried out through these executives.

With the growth of the store the proprietor must do the following things:

- (1) Group and arrange the retailing activities into large separate divisions.
- (2) Find the person best suited to perform the functions of each division.
- (3) Provide adequate checks and balances so that the duties of the various divisions will not overlap.
- (4) Establish authority and responsibility so that each employee knows where he fits into the organization.
- (5) Secure the co-operation of employees.
- (6) Produce an efficient system, that is, a set of rules and regulations to govern employees in transacting business.

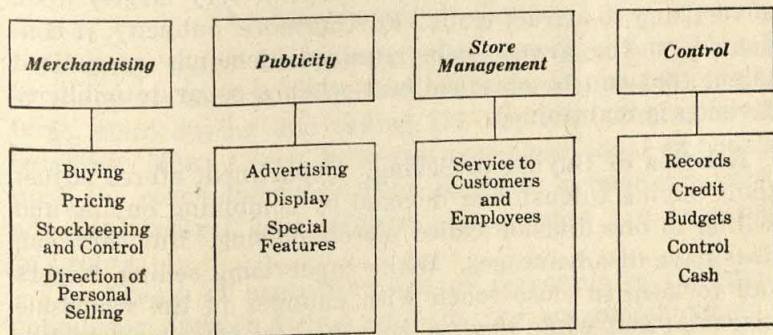
Chain-Store Organization. Chain stores build their organizations around the basic functions of buying, selling, store management, and control in much the same manner as small stores do. They have a purchasing division located in a central office to buy, a selling and store-management

division that controls the store units, and a finance division that takes care of the office work. The following chart represents a typical chain-store organization:

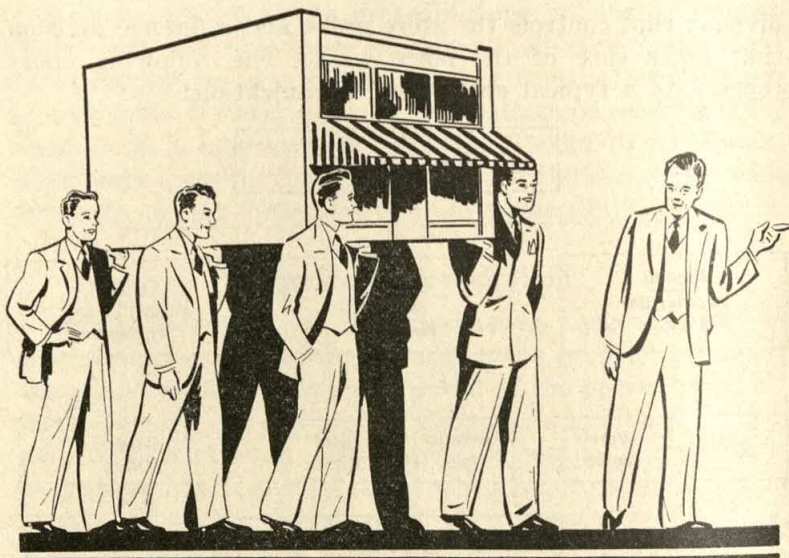


CHAIN-STORE ORGANIZATION

Department-Store Organization. Department stores have organized their work somewhat differently. The usual plan is to have four main divisions as indicated below:



DIVISIONS OF A DEPARTMENT STORE



National Cash Register

STORE TEAMWORK

If a store is properly organized, each employee will carry his share of the retailing activity according to his ability. The manager will be left free to lead them forward.

The buying and the selling are combined in one division known as *merchandising* because in department stores it is felt that good buying depends upon close selling contact with customers. Impersonal selling, or publicity, is commonly made a separate division because large downtown institutions of this kind have to depend very largely upon advertising to attract trade. Furthermore, publicity, if conducted on the grand scale required, demands specialized talent that can be obtained best when a separate publicity division is maintained.

Relation of Buying to Selling. Department stores adjust their buying to customer demand by combining buying and selling in one division called merchandising. But this plan does have disadvantages. While supervising selling, buyers fail to keep in close touch with changes in the wholesale markets; and while buying, they neglect sales supervision. They waste time traveling back and forth from markets.

They find it difficult to plan with other noncompeting stores to buy together and thus to get lower prices or exclusive merchandise.

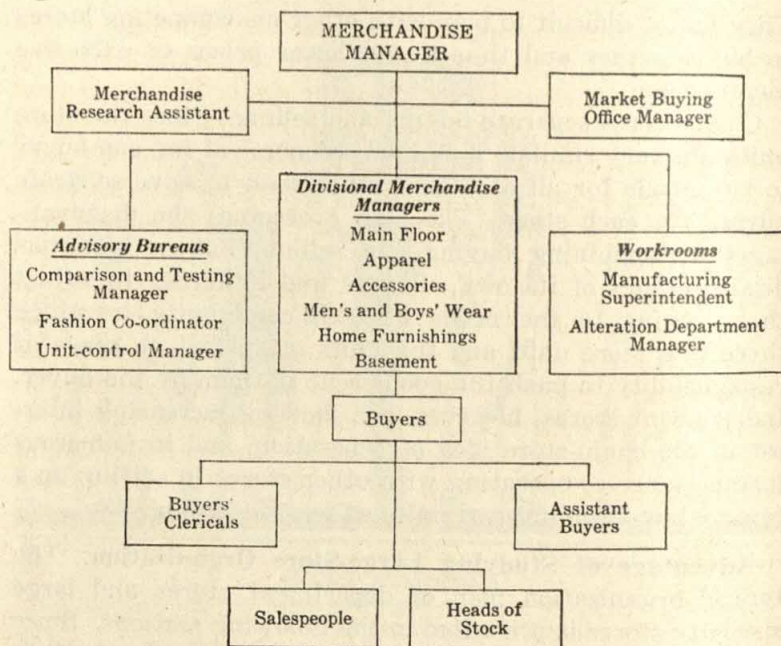
Chain stores separate buying and selling. Since the store units are very similar, it is more economical for one buyer to buy goods for all of them, rather than to have separate buyers for each store. The plan overcomes the disadvantages of combining buying and selling, but in turn has disadvantages of its own. Buyers find it harder to adjust their buying to the needs of each community in which there is a store unit, and the units often feel no sense of responsibility to push the goods sent to them by the buyer. Independent stores, however, are showing increasing interest in the chain-store idea of separation, and in numerous instances are co-operating with other stores in setting up a central buyer to buy certain lines for the group.

Advantage of Studying Large-Store Organization. The typical organization plan of department stores and large specialty stores is presented in the following sections. Since each function is performed by a separate department, it is easier to see the relationship between functions on the large-store organization chart. Remember, however, that small stores perform most of the duties found on the large-store organization chart even though the small stores do not set up separate divisions for these duties.

The Merchandising Division

In many stores the merchandising division is regarded as the most important division. It is easy to see why this is so, since buying and selling are the chief functions of retailing. Many stores, however, now place equal emphasis upon the other divisions. They feel that proper publicity, adequate control, and efficient management are essential to profits.

The line-up of executives and of personnel in the merchandising division is not uniform, nor are merchandising activities the same for all stores. A typical setup for this division appears in the chart on page 158.



ORGANIZATION CHART OF THE MERCHANDISING DIVISION

The man commonly found at the head of the merchandising division is called the *merchandise manager*. He may have under him a number of divisional merchandise managers who are specialists in their particular lines of merchandise. The latter supervise the activities of the buyers of the different selling departments of the store. Each buyer confers with his divisional merchandise manager as to the amount of merchandise to buy, the best methods of promoting sales, business trends, and so forth. Buyers' orders for merchandise in many stores must be O.K.'d by the divisional merchandise manager. This procedure fixes the responsibility for the amount of money spent for merchandise and also provides a good check and control of the buyers.

There is a tendency in many department stores to regard the buyer as a little merchant in charge of all buying and selling activities in his department, and the divisional mer-

chandise manager as a bigger merchant in complete charge of his division. Under this plan each of these merchants controls his own salesforce and promotions, but calls upon the publicity, the store management, and the control divisions for assistance in carrying out plans. As will be indicated later in the chapter, however, many stores place salespeople under the service manager in the store-management division.

As shown on the organization chart, bureaus that provide specialized advice on phases of merchandising may be included in the merchandising division, as also may be workrooms to make up or to finish goods and resident or market buying offices to assist buyers in selections.

The merchandise manager often has a research assistant who makes analyses of sales and stocks, studies outside economic data, and presents summaries to the merchandise manager. The comparison bureau compares the merchandise assortments and prices in the store with those elsewhere. Sometimes there is a separate testing bureau or laboratory to analyze the composition and the serviceability of goods. The fashion bureau forecasts fashion trends and co-ordinates the merchandise carried in different departments from the angles of color, material, and design. The unit-control bureau records and analyzes sales of each article sold as a basis for maintaining balanced stocks.

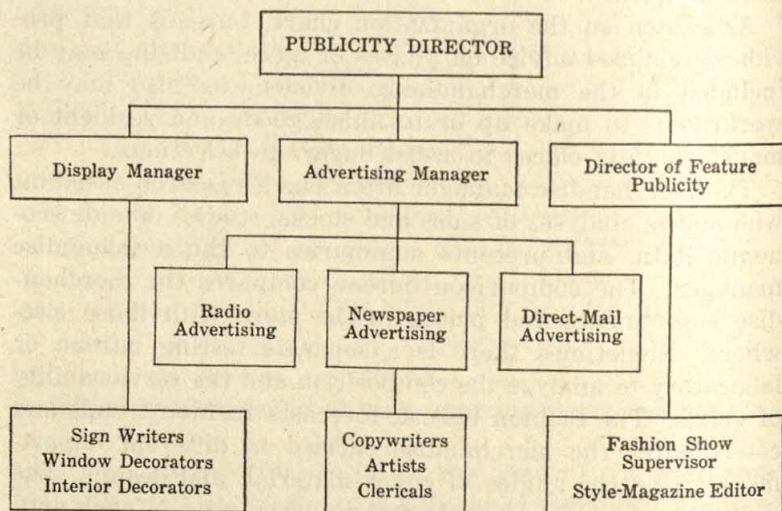
The Publicity Division

The work of this division is to bring people into the store to buy the goods that the merchandising division has purchased. A store must have customers as well as merchandise. Stores, therefore, often rank the publicity director on an equal basis with the merchandise manager. The publicity director supervises all forms of advertising, display, and special features that attract customers. He prepares the plans and the expense budgets of his division. Advertising and display managers are directly responsible to him.

The advertising manager directs the preparation of the advertising copy, the drawing of the illustrations, and the planning of the layout of the advertisements. He passes on

each advertisement before it is released. The display manager plans and schedules window and interior displays, sign writing, and store decorating. The director of feature publicity obtains free publicity for the store in the news columns of publications, runs fashion shows, and often edits a fashion magazine.

An organization plan of the publicity division is as follows:



ORGANIZATION CHART OF THE PUBLICITY DIVISION

The Store-Management Division

At the head of this division is the store manager or store superintendent. It is his responsibility to maintain the building and the personnel and to provide customer services. He usually has charge of:

(1) *Customer service.* Under the service superintendent's supervision, salespeople wait on customers courteously and promptly and give assistance and information when necessary. Although salespeople are usually placed in this subdivision of the store-management division, in some stores they report directly to buyers and their assistants in the merchandising division. There is a difference of opinion whether the salesperson should be regarded as an

agent of the merchandising division to sell what has been stocked and to keep the buyer informed as to customer demand, or as an agent of the store-management division to give service to customers. In practice there is usually a compromise between these two points of view.

(2) *Store operation.* An operating superintendent supervises the following:

(a) *Protection.* This includes the safeguarding of customers and of the store's and the employees' physical property. It calls for adequate policing of the store and building, and a detective service to apprehend shoplifters.

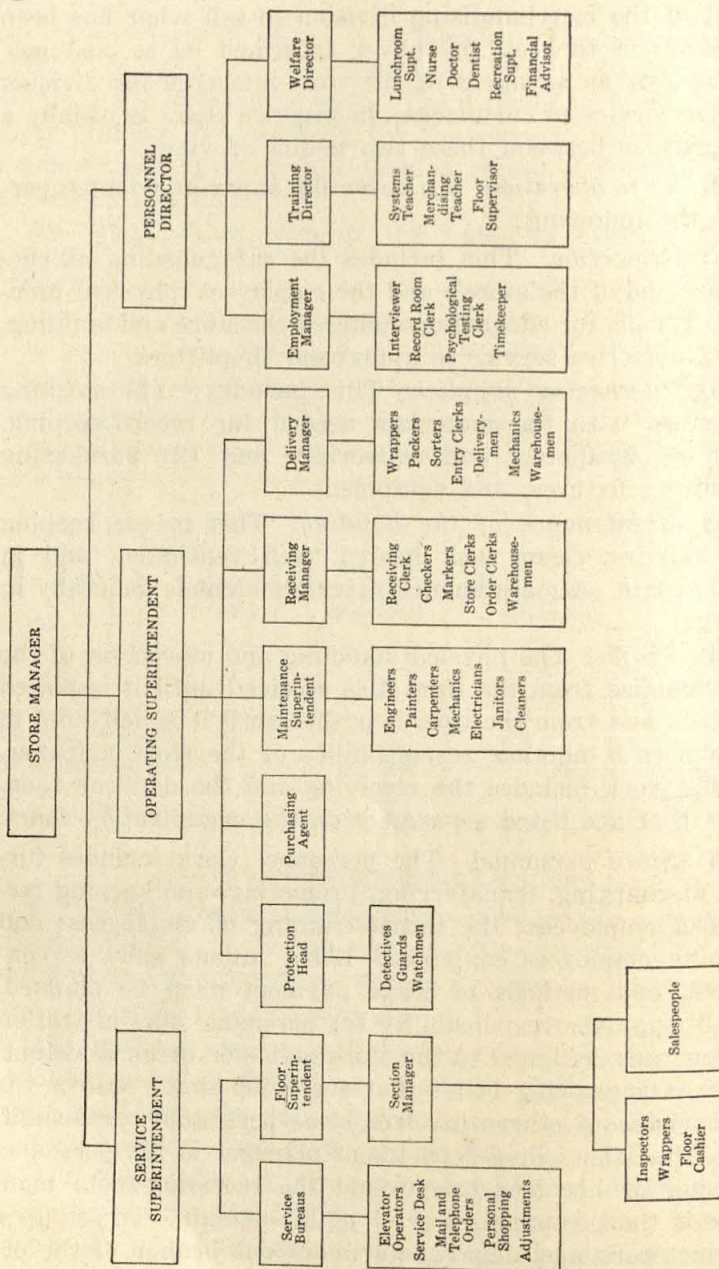
(b) *Purchasing supplies.* This includes: (1) stocking the store with the materials needed for record-keeping, cleaning, wrapping, and delivering; and (2) purchasing furniture, fixtures, and equipment.

(c) *Maintenance of the building.* This means keeping the building clean, well heated, well ventilated, and in good repair. A maintenance superintendent is generally in charge.

(d) *Traffic.* The physical handling and movement of the merchandise from the time it is received until it is placed in stock and from the time it is sold until it is delivered to customers is another responsibility of the store manager. Traffic work includes the receiving and the delivery functions that are listed separately on the organization chart.

(3) *Store personnel.* The personnel work includes hiring, discharging, transferring, promoting, and keeping records of employees; the initial training of employees; and keeping employees contented. Labor unions must be contacted, and methods of wage payment must be planned.

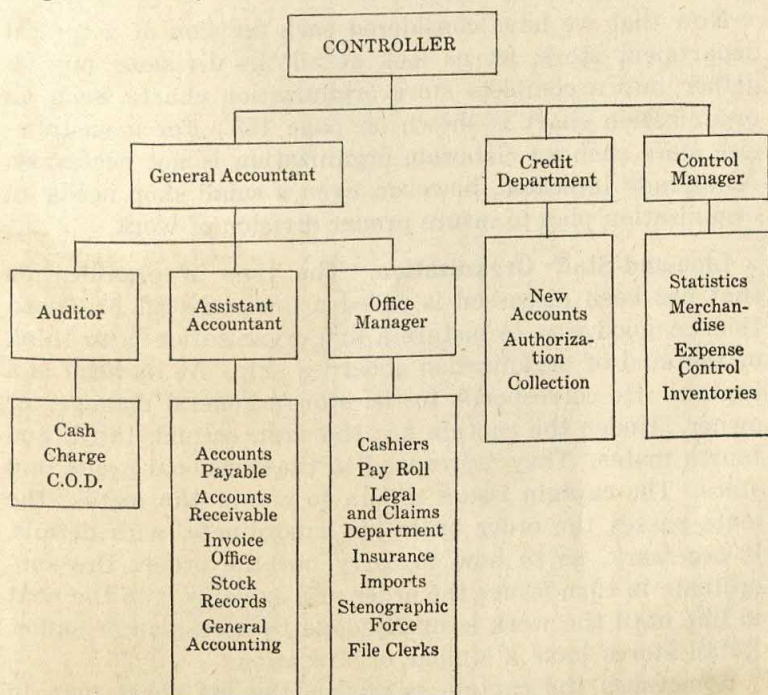
Although the responsibility for personnel administration is generally assigned to the store manager or an assistant, there is a growing belief that every job that requires the supervision of others involves some personnel responsibility. Thus the selling-department manager is the personnel director of his department, and the receiving-room manager is the personnel director of his domain. To set up a distinct personnel department under one branch of the or-



ORGANIZATION CHART OF THE STORE-MANAGEMENT DIVISION

ganization leads managers to shirk their responsibilities to personnel. There is a tendency, therefore, to regard personnel administration as one of the duties of the store's general manager, and likewise of all his subordinate managers.

Of course the store manager has many assistants. He may employ a selling service superintendent to take care of customer services; a maintenance manager to care for the store building; a purchasing agent to keep the store furnished with necessary equipment and supplies; a protection manager to police the building; a transportation and storage manager to take care of receiving, storage, and delivery; and perhaps a personnel director to take charge of employing and training employees. As the chart on page 162 shows, the store manager's division embraces a great variety of work.



ORGANIZATION CHART OF THE CONTROL DIVISION

The Control Division

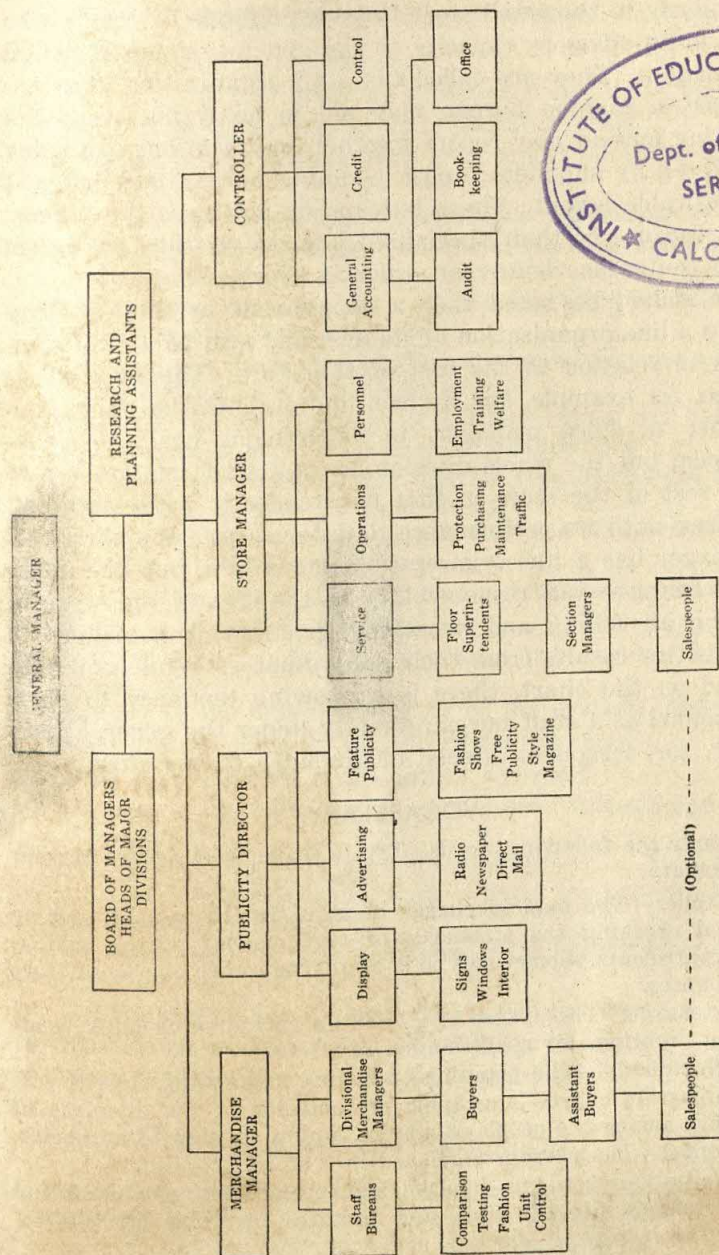
This division has charge of finances and records. At its head is the controller. In the larger stores the controller's chief function is to safeguard the net profit. He does this by checking the other divisions of the business to see that they keep their expenditures in line with their budgets and thus protect the net profit. He sees to it that the merchandise division keeps up its sales volume. He checks on the inventories and tries to impress upon the buyers the importance of rapid turnover. In order to do this, the controller must of course keep accurate records and statistics. He is frequently asked to confer with the other divisional heads on the planning of expenditures. A chart of this division appears on page 163.

Store Chart

Now that we have considered each division of a typical department store, let us look at all the divisions put together into a complete store organization chart. Such an organization chart is shown on page 165. For a medium-size store such an elaborate organization is not necessary. As already indicated, however, even a small shop needs an organization plan to insure proper division of work.

Line-and-Staff Organization. The type of organization that has been discussed is called a line-and-staff organization. A good way to picture a line organization is to think of the kind of organization aboard a ship. At its head is a captain. He corresponds to the store's general manager or owner. Under the captain are the first, second, third, and fourth mates. They correspond to the divisional heads in a store. The captain issues orders to one of the mates; the mate passes the order on to his subordinate, with details, if necessary, as to how to carry out the order; the subordinate in turn issues the order and explains it to the next in line until the work is finally done by a seaman or sailor. Retail stores have a similar organization.

Sometimes the captain is advised by his chart man to change his course, or by his chief engineer to slow down.



GENERAL ORGANIZATION CHART



Similarly in the retail store there are groups of people who act in an advisory capacity to the general or departmental managers. They are called the staff organization. For example, a fashion bureau may aid in analyzing trends; a testing bureau may report whether specifications are being followed by suppliers; and a planning bureau may suggest a desirable layout. These bureaus do not issue the orders; but because of their specialized knowledge, they are taken into conference before an order is given.

It should be noted that a department or division may have a line organization of its own and still be a staff division in relation to the rest of the store. The controller's office, for example, has its own line organization from controller to office manager, to department head, to bookkeeper; but the whole division bears a staff relationship to the rest of the store in that it provides it with facts and figures as to its performance to date. Again, the personnel manager has a line organization under him, but his entire unit bears a staff responsibility to the rest of the store in aiding all selling and nonselling department managers to get better results from their subordinates. While not indicated on the chart, there is a growing tendency to place personnel as a staff bureau directly under the general manager, for personnel affects all divisions of the store.

VOCABULARY

Study the following words. Try to make them a part of your vocabulary.

Controller—The man in charge of store records and of setting and checking the standards of performance of the various departments. Sometimes he is also treasurer in charge of store finances.

Maintenance—The upkeep of a building, including cleaning, heating, lighting, air conditioning, and repair.

Merchandising—The planning of buying and selling activities.

Organization chart—A graphic presentation of the divisions of work among the people of a store, and of the flow of authority.

Personnel—The persons employed in a store.

Publicity—Advertising, displays, and special features which bring customers into the store and create a favorable attitude towards it.

QUESTIONS ON THE CHAPTER

1. What is meant by *organization*?
2. What are the four retailing activities found in all stores?
3. What is the value of using an organization chart?
4. What six things must be done by a proprietor as his store grows?
5. What are the divisions of a chain-store organization?
6. *a.* What are the four main divisions of the department-store organization?
b. What two functions are combined in the merchandising division of a department store?
7. What are the disadvantages of combining buying and selling in one division in a department store?
8. What are the disadvantages of keeping buying and selling separated as is done in chain-store organizations?
9. *a.* Why is the merchandising division regarded as the most important division in many stores?
b. What is the title of the man at the head of the merchandising division?
10. What are the duties of a divisional merchandising manager?
11. What are the duties of a buyer?
12. *a.* What is the work of the publicity division of a department store?
b. What is the title of the head of the publicity division?
13. What are the duties of the advertising manager?
14. What are the duties of the display manager?
15. *a.* What is the title of the head of the store-management division?
b. In general what are his responsibilities?
16. What part of a salesman's work is under the supervision of the service superintendent?
17. What are the four main functions of the operating superintendent?
18. What is included in the personnel work of a store?
19. What is the work of the control division of a store?
20. What is meant by a line-and-staff organization?

PROBLEMS FOR DISCUSSION

1. Many students have a wrong idea of a *buyer* in a department store. They think of him as devoting his entire time to buying merchandise. Actually what else does he do?

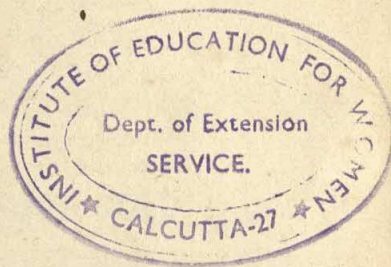
2. Why is some definite organization necessary, even in a small store?
3. What are the advantages of charting the organization of a store and placing the chart where all employees may see it?
4. In a large store, would you place the salespeople under the buyer or under the section manager? Why? What is the salespeople's main responsibility: to sell what the buyer has stocked or to give service to customers?
5. Where in a store organization would you place the following: adjustments, research, mail orders?
6. Why is it necessary for the other division heads of a department store to consult frequently with the controller?
7. Why is buying and selling treated as one function called merchandising in independent stores, whereas the two are separate functions in a chain-store organization?

THINGS TO BE DONE

1. Draw an organization chart of:
 - a. Your school.
 - b. A student organization.
2. If your teacher selects you as one of a committee for this problem, visit one of the larger stores in your community and find out how it is organized. Based on the information you have acquired, draw up an organization chart and compare it with those in the text.
3. If you are a bookkeeping student, prepare a short report for presentation to the class on what is done in the general accountant's division of any large office.

WHAT WOULD YOU DO IN THIS CASE?

An expert in store organization argues that problems of personnel are so important today that the personnel function should be set up as a fifth division on a par with merchandising, publicity, store management and control. Assuming you are the general manager of a department store, what arguments can you advance for and against this point of view?



PART III

BUYING FOR RESALE

The merchant buys not to consume, but to resell. He selects his stock not in view of his personal preferences, but in consideration of his customers' demands.

Thus good buying begins with a study of customer demand. This study will reveal *what to buy*, including *when to buy*, and *how much to buy*.

The next step in the buying process is to determine *where and how to buy*. This involves a careful investigation of the wholesale markets and the competing offerings of different sellers. It also includes the selecting of styles and patterns and the arranging of buying terms.

The third step is to determine how much should be paid for the merchandise that is desired, or *how much to pay*. Finally, thought must be given to *placing the order* and to *receiving the goods*.

Part III is devoted to these steps in the buying process.

CHAPTER VIII

GOODS WELL BOUGHT ARE HALF SOLD

When a successful retailer was asked how he learned to buy, this is what he said:

"I learned what to buy from my experience as a newsboy. Years ago I had a corner on a very busy intersection in the downtown district. At four o'clock each day I had to give my order for the number of papers I wanted in each edition. I had to do some careful mental figuring. First, I knew approximately how many papers of each edition the corner normally sold. Then I scanned the news quickly to see what the headlines would mean in sales. If there was a new story breaking, or some international or domestic event in which people were interested, I figured the story was good for more sales. Next, I thought about the number of people on the streets. If it was the day of the week that stores stayed open in the evening, there would naturally be more passers-by than on other days. Finally, I ordered a few papers extra, just for sales stimulation. I knew that if I had more papers than I needed, I would try a little harder to sell them. It was a sort of morale builder for me to have a few more each day. Then, too, people liked to see a lot of papers piled up on my stand. They liked to buy from full stocks."

From this early experience of the newsboy one can find most of the elements that go into buying for resale. But the factors that influence buying change according to the kind of business, the location, and the time. Since there are various factors involved, there should be no buying without planning.

Study of Customers

If a retailer could read customers' thoughts and could discover their preferences, their price limits, their ideas of style, beauty, and comfort, he would have the answer to

the question of "what to buy." People often reveal what they are thinking, and the retailer must learn to read and interpret the outward signs. He must watch the facial expressions of customers when they see something they like or something they particularly dislike; he must listen to what they say; and he must notice their eyes and their hands as they handle goods.

A study of the customer, including education, interests, financial status, and buying habits, is the basis of successful retailing. One thing is definite: regardless of how good a bargain an item may be, how inexpensive, or how attractive, if customers do not want it, it should not be bought by the merchant, for the merchant buys only to resell. This does not mean that a buyer should never "take a chance" on an item; he should. But an intelligent guess as to whether it will sell should be based on past experience and on knowledge of the type of customers to which the store caters.

How can a retailer tell what customers will want? Actually, they tell him. The retailer who takes the time and trouble to study customers, to listen to them, and to analyze what they have bought in the past, has taken the first step to successful buying.

What the Customer Has Bought in the Past. A careful analysis of past sales records will tell much about what the customer wants, for what has been sold before can generally be sold again. The sales records should give information as to quantities, colors, sizes, and prices of merchandise that has been sold. Thus the newsboy knew that a certain number of each edition was sold every day on his corner, and a grocer knows that each week a certain amount of sugar, butter, eggs, bread, and other every-day foods can be sold in his store. Past records are, therefore, a clear indication of customer demand.

Customer Wants. In addition to watching sales records to determine what items to reorder and what classifications and price lines to emphasize, buyers endeavor to find out what customers want that the store does not carry. This information is obtained by talking to customers and

DAILY WANT SLIP							
Today, I had calls for the following items not in stock.						Dept. No. _____ Clerk No. _____ Date _____ Name _____	
Items Not Carried							
Items and Substitute	Color	Size	Style	Mat'l	Price	No. of times called for	Buyer's Disposition
Item							
Subs.							
Item							
Subs.							
Item							
Subs.							
Items Low in Stock or Out of Stock							
Salesclerk's Suggestions and Customers' Comments							

A WANT-SLIP FORM

Salespeople fill out forms like this to keep the buyer informed of changes in customer demand.

by requiring salespeople to report on merchandise asked for by customers that is not carried by the store. Since the salespeople often forget the details regarding such merchandise, they are supplied with forms called *want slips* on which to jot down everything asked for that is not in stock. When a salesperson succeeds in selling an article other than that asked for, the substitution is also reported on the want slip. By studying these reports every day, a store buyer may find that there is a definite call for certain articles. For example, a men's store that has not sold men's hats may have so many calls for hats that the management may decide to open a hat department.

The report of substitution sales on want slips indicates what goods in stock can readily be substituted for articles asked for but not carried. This knowledge may make it unnecessary to buy some articles in which customers show only a passing interest.

Some stores ask salespeople to get customers' names and addresses when making out want slips so that the buyer

HOW TO GET INFORMATION ABOUT YOUR CUSTOMERS

1. Observe habits, dress, spending habits, age, financial status.
2. Question customers as to their preferences.
3. Study their occupations, earning capacity, and education.
4. Know the interests of customers.
5. Analyze merchandise needs and interests as reflected in sales records and want slips.

may communicate with customers if the merchandise becomes available.

Information from the Trade

Comparison Shopping. Among other sources of information as to what to buy are the stores of competitors. Merchants watch the advertisements and the windows of competitors and occasionally have their salespeople visit competing stores as though they were customers. Large stores have special comparison bureaus for this purpose and are thus able to determine whether competitors are selling the same articles at a lower price. Such comparison shopping may also show that a competitor is doing a good business with a type of merchandise that the merchant does not even carry in stock. Comparison shopping thus supplements the want-slip system in keeping up assortments of popular goods and provides the merchant with ideas for display and for personal salesmanship.

Stores in Other Cities. Merchants find it desirable to watch the advertisements of stores in near-by towns and in New York, Chicago, and other metropolitan centers. Not only may local customers make occasional buying trips to these places, but also they may demand articles of merchandise being sold in large cities. By watching the demand in these places, stores find out what goods may become

COMPARISON REPORT ON COMPETITOR'S ADVERTISING

Shopper _____ To _____
 Day _____ Dept. _____
 Date _____ No. _____
 Store shopped _____ Item _____ Price _____
 Adv. in _____ Day & Date _____ Space _____
 Time _____ Activity _____ Weather _____

Details

Quantity _____
 Quality _____
 Style _____

 Sizes _____
 Colors _____
 Remarks _____

 Comparable goods in our store _____

 Summary _____

 Purchased? _____

COMPARISON SHOPPING REPORT

This form is filled out by a comparison shopper who has checked
 a competitor's advertisement to see how the offering
 compares with the stock in her own store.

popular at home. Some articles sell well in a metropolis just a few weeks before the small-town stores experience a demand for the same articles. This gives the home stores a chance to have goods in stock by the time the local demand develops.

Trade Services. Trade papers and magazines and special market-reporting organizations report on the latest developments in the manufacture of various articles of merchandise. Since the articles described may later be demanded by a store's customers, a study of these trade publications will enable the store to have goods in stock when they are asked for.

Salesmen. It is necessary to include the traveling salesman as a valuable source of information about what to buy. Not only does he know what the other stores are selling, but he also carries up-to-date information on what is new in the market. One merchant who seemed to have solved the problem of "what to buy" successfully confided that he depended almost entirely on a wholesaler's salesman who visited him weekly.

"Oh, I just let Bill write up an order for what I need. In fact, I go right on selling to my customers and Bill checks up on the staple goods from a list that he carries and makes sure that I am never out of the necessary things. Then he says, 'I'm putting you down for a dozen of these new slippers, or a half dozen of these novelty dance ballets.' Or perhaps he may ask, 'Do you think you could use an extra few dozen of a certain item of a close out?' He is careful not to overstock me, because if he does, I shall not buy from him again."

The Market as a Source of Buying Information. Merchants find that they have to be guided to some extent by what the wholesale market offers as well as by what customers demand. One season, for example, the outstanding values at a certain price may justify buying heavily at this point even though past records may show that there have been more sales of an article selling at a lower price. Again the selection of individual articles cannot be planned in ad-

vance; they can be determined only after the wholesale market offerings are available for inspection. Merchants also find that a manufacturer's experience with certain articles sold to stores in other cities is a good guide to the articles they themselves can sell. While a buyer can obtain much market information direct from manufacturers and their salesmen, he can rely even more on a resident buying office, for the latter can summarize for him the activities of many manufacturers. The operation of a resident buying office is described in Chapter X.

WHERE TO GET INFORMATION TO DETERMINE WHAT TO BUY

1. Study of the customer.
2. Study of past sales records.
3. Want slips.
4. Staple "check list."
5. Study of what other stores carry.
6. Trade journals.
7. Visiting salesmen.
8. Market developments.

The Buyer Classifies His Goods

From a buyer's viewpoint, a store's merchandise can be divided into two groups: (1) goods that should always be in stock, called *staple goods*, and (2) new goods, which have a relatively short life but are of interest temporarily to a good many people, called *fashion goods*.

The buyer also looks upon his stock as consisting of *convenience goods* and *shopping goods*. The former, as we have already seen, consists of items frequently purchased by customers; and the latter, of articles requiring comparisons before a purchase is made. Most convenience goods are staples, and most shopping goods are fashion goods, but customers often shop for staples and sometimes buy shopping goods as a convenience.

Buying Staples

The buying of staple goods is simple, for what has been sold in the past will probably be sold again in the future. Even the quantities demanded are not likely to vary greatly from the quantities demanded by customers in the past. Staples enjoy a long period of active demand, generally many years, although certain details may change. A store can easily compile a staple stock list by going over records

C A N D Y											
DATE _____			STORE No. _____			DISTRICT _____			STORE MANAGER _____		
ADDRESS _____			CITY AND STATE _____			PAGE No. 3					
CODE	QUANTITY ORDERED	DEPOT COUNT	RETAIL	ITEM	QUANTITY ORDERED	DEPOT COUNT	RETAIL	ITEM	QUANTITY ORDERED	DEPOT COUNT	RETAIL
ONE CENT CANDIES											
66			.01	24 CURTIS BABY RUTH	80	80					
66			.01	24 * BUTTERFINGERS	80	80	255	3/12	20		LIFE SAVERS
56			.01	44 GREENFIELDS C.C. SPONGE (WRAPPED)	120	120	255	3/12	20		BUTTER RUN
56			.01	44 HEIDELBERGERS JUMBO MINT & WINTER- MINT & WINTER- GREEN WAFERS			255	3/12	20		CLOVE
56			.01	44 MASON MINTS	120	120	255	3/12	20		CRYSTOMINT
57			.01	43 PECO-MINTS	72	72	255	3/12	20		FIVE FLAVORS
56			.01	44 TOOTSIE ROLLS	120	120	255	3/12	20		LEMON
							255	3/12	20		LINE
							255	3/12	20		ORANGE
							255	3/12	20		PEPPERMINT
ALL FIVE CENT GUMS											
270			3/12	24 ADAMS BLACK JACK	20	20	255	3/12	20		SPEARMINT
270			3/12	24 * CLOVE	20	20	255	3/12	20		WILD CHERRY
				BEECHNUT			228	3/12	20		WINTERGREEN
275			3/12	24 BEECHIES PEPSIN	20	20	228	3/12	20		METRO ASST. CANDY DROPS
275			3/12	24 * PEPPERMINT	20	20	245	3/12	20		METRO SOUR LEMON DROPS
275			3/12	24 * SPEARMINT	20	20	245	3/12	20		REEDS BUTTERSCOTCH ROLLS
275			3/12	24 PEPPERMINT	20	20		3/12	20		REEDS CHOCOLATE ROLLS
275			3/12	24 SPEARMINT	20	20					
270			3/12	24 BEEMANS	20	20					
270			3/12	24 CHICLET CHARCOAL	20	20					

A STAPLE STOCK LIST

This is a portion of a staple stock list used by a drug chain to check and to reorder the stock assortment.

of previous purchases and sales and records of customer wants as reported on want slips. Even a man starting business for himself will probably have had experience as an employee in another store and will have a fairly accurate knowledge of the staple articles he should carry. All wholesalers and many manufacturers will assist stores in working out correct lists of the staple items that should *always* be in stock. In chains much attention is given to

working out separate lists of staples for small, medium, and large units; and store managers are instructed to keep up their staple lists at all times.

The staple list, however, should never be regarded as unchanging. By observing both customer wants and developments in the wholesale markets, the merchant will come across new items that should be added to his list. Many articles that were originally novelties become staples with continued customer acceptance. On the other hand, the sale of some staples may decline to the point where it is no longer profitable to carry them.

Brands. One of the difficult problems, particularly in the buying of staples, is to decide how many brands to carry. In most lines there are many competing brands and there is a temptation to carry many of these. This practice, however, leads to heavy stock assortments, since increasing the number of brands seldom increases sales in proportion to the additional stock that must be carried. The wisest policy seems to be to carry a few outstanding brands that will

NATIONAL BRANDS LEND PRESTIGE

This large store follows the policy of stocking and promoting national brands of radios, rather than developing private brands.

Hecht Co., Washington, D. C.



give satisfaction to the majority of customers. Some sales will be lost, of course, because a few customers insist on other brands; but if the brands carried are really good ones, most customers can be prevailed upon to buy them.

Private Brands. A hosiery store was unable to induce any of the leading manufacturers of national brands to sell to it exclusively. Competitors carried the same merchandise that it carried, and there was no special reason why customers should return to this shop. Furthermore the cost prices on the well-known brands of hosiery were so high in relation to the customary retail prices that the store found it difficult to cover expenses and markdowns. After carefully considering the problem, the store decided to carry its own brand, which it would sell under a new name. One of the leading hosiery manufacturers was willing to sell the shop unbranded hosiery, of the same quality as his well-known national brand, but at a lower price. Since the manufacturer's brand name was not used, he did not charge the unbranded hose with any of his advertising expenses. The store attached its private label and started a systematic campaign to educate customers to the merits of its hosiery.

The store's salespeople were made thoroughly familiar with the outstanding features of the hosiery, and they were able to induce most customers to try the new brand. Since the product was really a good one, customers returned to the store for more, for they did not know where else to get the same brand of hosiery. Moreover the store avoided price wars that arose when competitors cut the price of the well-known brands. Thus the plan proved very successful.

In spite of the fact that private brands may give a store a certain distinction, may free it from direct competition, and may allow it to buy for less, they are not always desirable. It costs more to sell and to promote private brands than to sell well-known brands. There may be considerable customer resistance to new private brands, and sales may be lost by not carrying nationally advertised brands. Some stores are very successful in carrying leading national brands in all departments; customers look upon the store as a place where they will be sure to find all the well-known

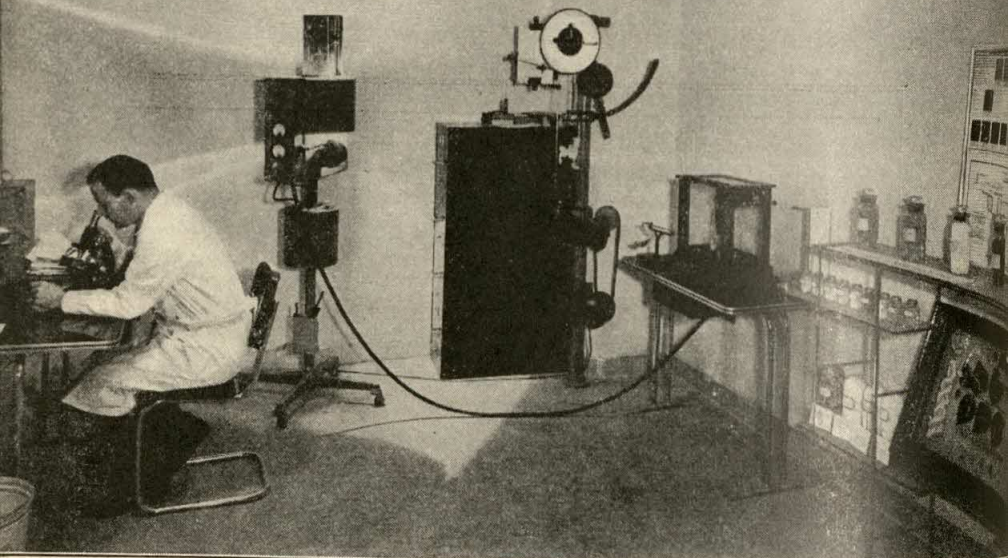
merchandise. This is particularly true of supermarkets. They find it much easier to sell customers standard brands at low prices than to attempt to sell bargains of unknown quality.

Department and specialty stores often carry their own private brand and also two or three of the leading national brands. The advantages of both national and private brands are thus realized.

PRIVATE BRANDS	
Advantages	Disadvantages
<ol style="list-style-type: none"> 1. Generally cost the retailer less. 2. Allow higher markups to be realized. 3. Build repeat sales. 4. Avoid price wars. 5. Allow goods to be made to specifications of the retailer. 6. Permit store to carry exclusive merchandise. 	<ol style="list-style-type: none"> 1. Bring about higher selling and advertising costs. 2. Encounter customer resistance, which may lead to markdowns and ill will for the store. 3. Involve packaging, labeling, and the making of commitments for large amounts—new problems to the average retailer.

Specifications. One of the chief duties of the retailer who sells nonbranded goods and privately branded goods is to choose merchandise that will be most acceptable to his customers. The buyer must be a merchandise expert. Since, however, it is often impossible for even an expert to tell how well a product will stand up in use or what its ingredients are, he should insist that manufacturers provide him with specifications and with results of performance tests.

Large chain organizations, such as Sears, Roebuck and Co. and J. C. Penney Co., do most of their buying on a specification basis. This means that samples of competing articles are procured and tested in a laboratory and by consumers who put them to use. On the basis of these tests



A TESTING LABORATORY

Shillito's, Cincinnati

This is one end of a store laboratory. Here specifications for staple merchandise are worked out and manufacturers' goods are tested.

specifications are drawn up for an article that will incorporate desirable features and yet be economical to produce. One or more manufacturers are then chosen to produce the goods in quantity according to the specifications agreed upon. Thus buying is based not upon what a manufacturer has to sell, but upon a study of customer demand. Merchandise is then manufactured to fill that demand.

Buying Shopping Goods

The buying problem is quite different for merchants who carry goods for which customers *shop*. Such retailers may have to foresee a demand months in advance. For example, orders for toys to be delivered in the fall are placed in the spring. Orders for men's clothing have to be placed in November for delivery in February and March. Manufacturers of some clothing do not order materials until they receive orders from retailers, and then they have to wait on textile mills for delivery. Moreover, the manufacturing of the clothing takes considerable time. The retailers who

place their orders early have greater assurance of getting the best materials and workmanship; latecomers may have to be satisfied with the materials that are left and with the output of hard-pressed workmen.

Shopping lines in which fashions change rapidly are still more difficult to buy. A merchant has to anticipate his requirements for dresses, for example, from two to six weeks ahead. Although goods may not be produced until after the order is placed, the production process is a relatively quick one and an ample supply of materials is generally on hand or quickly available. The degree to which buying is done ahead depends to a considerable extent on the trend in prices. When prices are rising, retailers order the goods they will need far in advance, so as to take advantage of the current low prices. When prices are falling, however, retailers tend to buy from *hand to mouth*; that is, they buy in small quantities as the merchandise is needed. When prices are falling, retailers must sell quickly the merchandise they have in stock before it has to be marked down. A detailed discussion of the problems of buying fashion goods will be left to the next chapter.

Selecting New Items

Every buyer is continually offered new items. Some of these items may become staples; others may become important fashions; and others may fail to catch the public fancy. It is the buyer's problem to decide which of the many offerings to buy. Some buyers have a policy of buying small quantities of nearly everything new in their line and letting the public decide. Offhand, this seems to be an easy way of solving the problem and of assuring that the store will not miss out on something that may become popular. But such a policy is dangerous. The store may accumulate so many odds and ends that it may eventually look like a junk store. Many of the items turn out to be failures and have to be sold at a loss. Since a merchant's investment and his selling space are definitely limited, he should select only those items that will sell in reasonable quantities and that

will supplement, not compete with, the goods he already carries.

The following questions about a new item should be answered by the buyer before he buys it:

REQUIREMENTS FOR A NEW ITEM

1. Is it of suitable type for my department or store?
2. Does it have popular appeal
 - a. to the emotions?
 - b. to reason?
3. Will it duplicate goods in my present stock or which I have already ordered?
4. Will my customers be able and willing to buy it at the price?
5. Is it a good value at this price?
6. Does it provide a satisfactory profit?
7. Is it properly packaged?
8. Is it worthy of special promotion, and have I a promotion plan for it backed by the manufacturer?

An Example of a Successful New Item. The doll, called "Sparkle Plenty" is an example of a new item that met these eight requirements: (1) It was a doll obviously suited for the toy department. (2) It had popular appeal in that it was a replica of the golden-haired baby in the very popular *Dick Tracy* comic strip. Thousands watch the lives of the characters in this cartoon; so the doll had a great emotional appeal. (3) It did not duplicate any other doll in stock. It had a rational appeal in that it had most of the features children want in dolls. It could be washed and dressed, and have its hair combed; it could drink, coo, and cry, and it could open and shut its eyes. (4) The price was \$5.98, which was a popular price for a doll; so there was no price resistance. (5) The size, the material, the natural hair, and the many other features of the doll made it a good value at \$5.98. (6) At this price it provided a

satisfactory markup for the store. Moreover, an extra sale of clothes for the doll was almost assured, since it came dressed in panties and a bathrobe, and everyone who bought it wanted to get clothes for it. (7) The doll was packaged in a colorful box consisting of a strip from the *Dick Tracy* comic. (8) The manufacturer had worked out a proven plan by which the store could promote the doll in spectacular fashion. Since it met all eight requirements, the doll was sold in great numbers, and at a handsome profit, by the stores that bought it.

Plan Selling Before Buying. Perhaps the most important rule for a new item is not simply to put it in stock and trust to luck, but to promote it enthusiastically. If the item is not worth promoting, it is not worth buying. Many potentially good items fail because they are not brought dramatically to the attention of customers. Every new item must be helped along by special attention until it catches on with the public or until it is clear that it definitely is not going to be accepted. Buying and selling are closely related; therefore, a selling plan should be formulated before a final decision is made to buy a new item offered by a manufacturer.

VOCABULARY

Study the following words. Try to make them a part of your vocabulary.

Check list—A list of all staple items which the store carries and which should always be in stock. Chain stores make their orders from this check list.

Comparison shopping—Studying the stock assortment, prices, and services of competing stores or departments.

Hand-to-mouth buying—Frequent buying in small quantities and only as needed for quick sales. This practice is used especially in periods of falling prices.

Private brand—A distinguishing name or design applied to merchandise that is sponsored by a retailer (or wholesaler) rather than by a manufacturer.

Trade journal—A magazine of interest to a certain trade or occupation, particularly to the dealers in one line of merchandise.

Want slip

QUESTIONS ON THE CHAPTER

1. What is the basis of successful buying?
2. Give the methods used to study the customer.
3. Why does a merchant buy?
4. Instead of securing information about the demand for articles from individual manufacturers, where may a merchant obtain such information?
5. What is a want slip?
6. What is the advantage of using want slips?
7. What is the advantage of keeping reports of substitution sales?
8. What is meant by comparison shopping?
9. Why is it desirable for merchants to watch the advertising of stores in nearby towns and in metropolitan centers?
10. Why is it desirable for a merchant to study trade papers and reports on the latest developments in the manufacture of various articles of merchandise?
11. What, in addition to a study of the customer, should guide the merchant in his buying?
12. What are the two divisions of goods according to a buyer?
13. What are convenience goods?
14. What are shopping goods?
15. Why is the buying of staple goods a simple task?
16.
 - a. Why it is wise to carry just a few outstanding brands when there are a great many different brands to choose from?
 - b. Why may a manufacturer not charge as much for an article that is unbranded as he does for the same article when it is sold under the manufacturer's brand name?
 - c. What are three disadvantages of handling unbranded articles?
17. What is meant by buying on a specification basis?
18. What is a dangerous policy to follow in selecting new items?
19. How can a buyer check on a new item before stocking it?
20. What is meant by "Plan selling before buying?"

PROBLEMS FOR DISCUSSION

1. What regular seasonal changes are there in customer demand for men's clothing?
2. When merchandise does not need to be tried on, is a larger or a smaller selection of styles necessary? Why?

3. Are most customers interested in buying only one article at a time or are they generally interested in buying related articles as well? Why is a decision on this point important?
4. What disadvantages are there for a store in establishing a few price lines with complete assortments in each?
5. What are the advantages and the disadvantages to the retailer of rapid fashion changes?
6. What are the advantages and the disadvantages to the consumer of rapid fashion changes?
7. Who makes the fashion: the designer of a new style, the manufacturer, the wholesaler, the retailer, the advertiser, or the consumer?
8. Name ten staples the demand for which will probably remain about the same from year to year.
9. Name five private brands. What kinds of articles are sold under these brands? What kinds of stores—independent, chain, department—sell them?
10. Name five articles in the selling of which color has become more important in late years.

THINGS TO BE DONE

1. Planning a staple list.

Select one of the following lines and visit three stores that carry it to observe exactly what varieties, brands, colors, and sizes are carried in each. If the class is large, it will be divided into groups of two to five each, and the members of each group will visit these stores together. On the basis of your observation, draw up a list of the articles you would want to carry in the line if you were to stock it in a store in your community.

Canned fruits—variety of fruits, number of brands or qualities, and different size of cans in each.

Hammers—types and grades in each type.

Aspirin—brands, grains per tablet, sizes of containers (number of tablets).

Rubber heels—brands, colors, sizes.

Flour—kinds of flour, brands, sizes of bags.

Ink—brands, colors, sizes of bottles.

Packaged cookies or crackers—varieties, sizes of packages.

2. Private brands.

A committee from your class will visit a leading store of one of the following types in your community and determine some examples of goods the store carries under its own brand name. This name may be that of the store or a coined

name that the store has chosen. Do these items seem to be in direct competition with national brands? If so, are the private brands lower in price? Do they seem to have any other advantages over the competing national brands? If no private brand is carried, inquire of the merchant if he has considered the introduction of a private brand and why he has not done so. Report to the class on your findings. Choose a store from one of the following groups for investigation:

A grocery.

A drugstore.

A men's clothing and furnishings store.

A women's apparel store.

A department store.

A variety store.

WHAT WOULD YOU DO IN THIS CASE?

You have been selling perfume to customers who want to pay less than 50 cents a bottle. The nationally known brands of perfume at this price come in very tiny quantities. You have an opportunity to buy unbranded perfume of equal quality in containers holding more perfume to sell within the 50 cent price limit and yet leave a substantial profit for the store. You must buy in gross lots. Such a quantity would last nearly two months, whereas you have been filling in the nationally known brands every 3 weeks. What would you do—continue buying the nationally known brands or try the unbranded perfume?

CHAPTER IX

MATCHING WITS WITH FASHION

A woman and her daughter walked into a dress shop in the downtown shopping district.

"I would like to see some of your coming spring styles—some bathing suits and some beach and play cottons. I saw some lovely spring dresses in *Vogue* and would like to see how I look in them."

Then the daughter spoke. She held out a copy of *Seventeen* and said, "There are some beautiful styles in this magazine which I know will be the fashion this spring. I get so tired of following the fads and fancies of my friends and I would like to show them what will be in vogue."

The retailer was able to satisfy both customers. He had the styles in stock which the magazines advertised. He had bought his fashion goods correctly because he had studied fashion trends and had anticipated customer demands.

Fashion Through the Ages

When the cave man cut the animal skin which he was going to use as his ceremonial suit, with a fuller and wider sweep than his everyday hunting cloth, he was giving way to the fundamental human desire for originality and beauty. And if he were a leader among his fellow cave men, the cut of his clothes was soon copied by the others.

The desire for change, the desire to try something new are the forces which give us today's fashions. People get tired of "the same old thing"; so they adopt a new style of clothing or a new material, or even assume a new personality. Some people like to lead in this change. "See," they seem to say, "how different I am! I express my own individuality; I am first to set a new style." On the other hand, others prefer to follow the leader.

Women are more sensitive to fashion change than are men. Retailers often hear them say, "I don't want quality

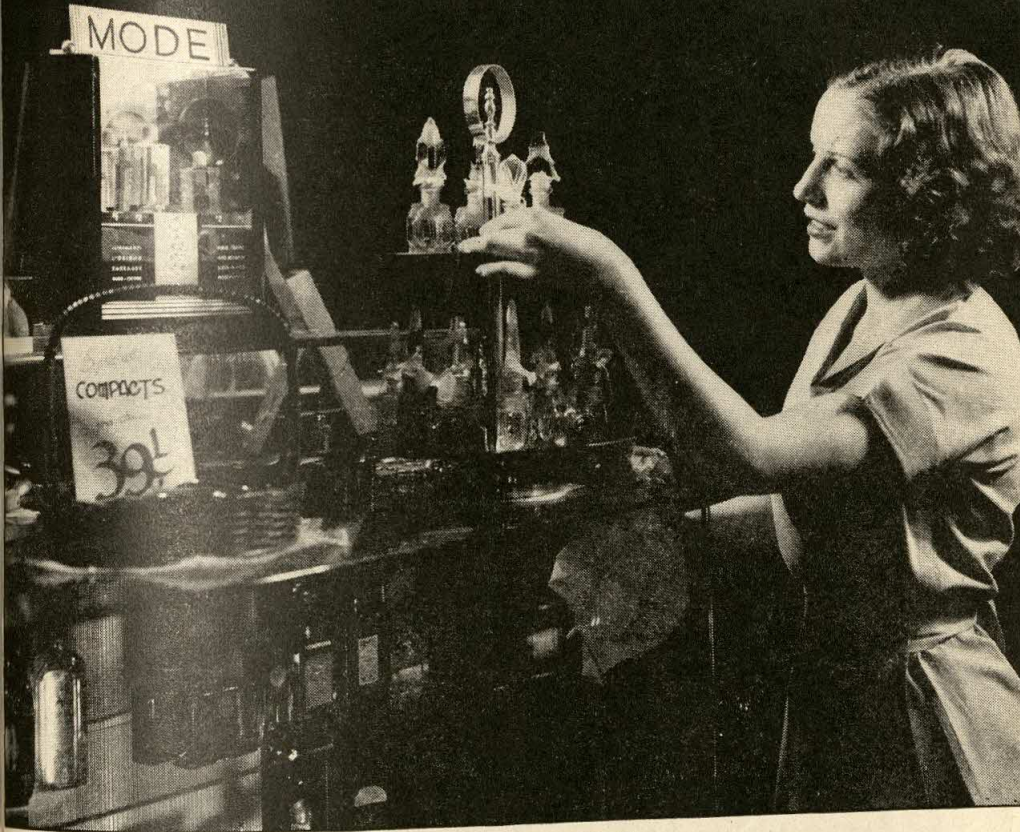
without style." Hence, retailers know that workmanship, utility, and other qualities are not enough to sell fashion-minded women.

Although men are not so quick to change fashions, they are quite as anxious to be well dressed and are beginning to demand more comfortable and more colorful clothes. Many of them now read *Esquire*, *Men's Wear*, and even the daily newspapers for news of men's fashions. They adopt the new styles shown by the cinema stars and the new designs that originate in Hollywood. Children, too, are loyal style fans. "I want a dress like Betty Allen has," says the daughter to her mother, and "Nobody wears knickers in my class," chimes in the son. Yes, children follow fashion leaders in their own circles, and parents and retailers are well aware of it.

The Scope of Fashion. It should not be thought that fashions are limited to clothing. There are fashions in home furnishings, in automobiles, in fountain pens and in books—in fact, in almost everything we buy, including food. So-called "modern" or "functional" furniture, designed for comfort, simplicity, and various uses (such as the three chairs that can be pushed together to form a couch, if so desired) has in many homes replaced the Victorian, ornamental style. Fashion has even invaded the kitchen with its built-in fixtures and the use of color.

After World War II, Studebaker revolutionized the fashion in cars by popularizing a car with a rear which was like the front and with seats well between the wheels. In fountain pens, Reynolds popularized the ball point; thus a development that might have represented only a short passing fancy took hold and for some years was a major fashion.

A few years ago, the thousand-page historical story, full of adventure and intrigue, had tremendous popularity, and novelists competed with each other in making longer and more complicated novels. But today the trend is away from long, cumbersome books with their intricate plots and counterplots. Even styles in books for young people change, and the Henty and Alger stories, which captured the imagi-



FASHION IN PERFUMERY

Fashion is not limited to clothing; it extends even to perfumery. Even the word "mode" used in this display means "fashion."

nation of boys a generation ago, have given way to "comic" books.

Even though we usually associate fashion with customers' whims, it often represents new scientific developments that add utility to goods. In the food field, for example, although tastes have not changed much, a recognition of the value of vitamins has led to a fashion for specially treated bread, milk, oleomargarine, and breakfast cereals.

Again, the invention and perfection of labor-saving equipment has often been followed by quick public acceptance. For example, the old portable galvanized washtub gave way to the porcelain tub with hot and cold water connections. This, in turn, gave way to the washing machine that agitated the clothes. This was followed by the automatic rinser; and now we have as a major fashion item, the automatic laundry that washes, rinses, and dries.

We are likely to think of fashion as being primarily of interest to women, but there are more men engaged in the fashion field than there are women. Even in the field of women's clothing, many of the designers and most of the store buyers and merchandisers are men.

Fashion is simply one aspect of modern life. We want comfort and convenience, we want health, we want beauty, we want to engage in sports, we want to escape from humdrum existence. All these things make up our desire for variety, for an about-face to everyday living; and so, if a new style contributes to one or more of these fundamental wants, it has a good chance to become the fashion.

Through the ages fashion has played an increasingly important role in the lives of all of us. Today, no retailers' convention program is complete that does not include a speaker on fashion. "What's new?" has become a common phrase in retailing, and even the layman has adopted it. So important has fashion become, that a large food chain in Philadelphia has used a "fashion show" as an attraction for the opening of a food store. The plan brought hundreds of women to the store to find out "what's new."

Limitations of Fashion. It must be admitted, however, that fashions may become extreme. Some customers become so obsessed with the importance of having the right look in clothes that they deny themselves adequate protection, and even go without sufficient food in order to be in fashion. Sound values may be distorted and unwise expenditures may be made if fashion is regarded as of too great importance.

From the angle of the retailer, fashion presents dangerous pitfalls as well as brilliant sales opportunities. When changes in fashion occur, sharp price reductions must be made on waning fashions or they will not sell, and resultant losses may eat away profits. Only by keeping stocks low in comparison to sales and by making prompt adjustments to changing conditions, are merchants able to keep down the losses that arise from fashion merchandising and to show a profit.

The Language of Fashion

If we are to understand fashion, we should be familiar with the exact meaning of three common terms.

Style: Everything has style. By style we mean lines and characteristics of an article that make it different from other articles of the same kind. Thus, one refrigerator may have square corners, one door, and a horizontal handle, while another may have rounded edges, two doors, and verticle handles. Each has its own style, and the style of one will appeal to a customer more than the style of the other.

Women's clothes have distinct styles. The bell-shaped skirt, now called the "flare skirt," is one style; the skirt with a full back, now called "bustle" is another, while the hobble skirt, or tubular skirt, now called "pencil slim" is still a third. It is the line, the shape, and the features of an article which give it its style.

Fashion: When a certain style has appeal for a large number of people, and a significant group wants that particular style, the style becomes a fashion.

The style that is in fashion today may not be in fashion a month from today. Once the fashion has changed, a particular article still has its style, but it is not in fashion. We would then say that the item had an "old-fashioned style." Something new has appealed to a large number of people, and the new article has in turn become the fashion. This ever-changing element that people want in merchandise is good for business, for a certain style comes into fashion, the wheels of industry and business keep turning, and thousands of people are employed to produce and sell the new fashion.

Fad: Where a style catches the fancy of a sizeable group of people, has a brief popularity, but soon dies out, we call it a fad. Generally fads are confined to minor accessories. Buster Brown collars, King Tut jewelry, French cuffs were all fads which developed suddenly but lost their hold on the popular fancy just as rapidly. Fads are often included

among the items used by "teenagers," who at various times have favored rolled-up dungarees, dangling lapel pins, and bright colored handkerchiefs used as hats. Boys who wore long pocket chains, extra-wide-brimmed hats, ankle-length trousers, or suede shoes were following fads that were in vogue at the moment.

The Fashion Cycle

A style which meets with sufficient acceptance to be called a fashion passes through rather definite steps in its rise to popular demand and in its decline from popularity. These steps, the rise, acceptance, and the decline of a style, are called the "fashion cycle."

It is most important that the buyer of fashion goods understand and study the fashion cycle for his line of merchandise so that he will know when to stock a new style and when to dispose of it. Here are the steps:

Step 1. The New Style Is Originated. A designer creates a new design. He gets a new idea for merchandise, which is generally a modification of a former fashion, and he makes it up into a sketch or model. In the field of women's clothing, these designers are often called *couturiers*, a French word, since Paris has been the chief source of new ideas in this field. Today famous designers in New York and Hollywood vie with those in Paris.

In the men's clothing field, outstanding designers congregate in London and in Hollywood. Designers tend to congregate where there is a receptive consumer audience for their new creations, and where they have easy access to new materials and skilled workmen.

In the hard-lines fields, such as home furnishings, electrical appliances, and automobiles, there is perhaps a less distinct congregation of designers, but nevertheless, designers sensitive to the public taste, such as Raymond Loewy, have revolutionized the appearance of many articles of every-day use.

Step 2. Manufacturers Adapt the New Styles. The original creations are often custom-made for the requirements



GETTING IDEAS FOR NEW DESIGNS

The Old is often the inspiration for the New in fashion. Here a department store buyer is in a museum sketching details of an old dress that she will pass on to a manufacturer for adaptation.

of a particular individual. Even if the designer has a mass market in mind, as he often has, he may give little thought to economy in production or to the suitability of the product to machine production. Hence, manufacturers' designing and engineering departments may change the originals so that they will appeal to large numbers of people and may also be produced economically. In the case of clothing, the original designers often maintain separate establishments and sell their creations to manufacturers who adapt them. In the case of hard lines, a manufacturer may retain a top-notch designer to create new styles, and then have his own designing department adapt it to his market. With increasing frequency, new creations in home furnishings are being shown to "juries" of typical customers to determine what the public is likely to prefer.

Step 3. The Adapted Style Is Popularized. Now the style is made up with quality materials to sell at a high price to fashion-conscious customers. Fashion and trade magazines promote it and limited sales are made. At this stage, styles are known as *green* fashions, since they have not yet ripened into general customer acceptance.



Shillito's, Cincinnati

THE ADOPTED STYLE IS POPULARIZED

By means of a fashion show a department store shows fashion-minded customers what is moving up in the fashion cycle of women's clothes.

Step 4. The Style Is Produced and Sold in Mass. The style becomes of interest to the general public who are unable to pay high prices. Sometimes with the omission of the fine detail and with further simplification of design, the style is copied in less expensive materials so that it can sell at popular prices in stores all over the country. The copying may be done by the original producer or by his competitors. The new style has now reached its peak. When popular-priced manufacturers are able to produce the style in large numbers, and every store handling the class of goods in question has it, the fashion is at its height. It is now called a *blue* fashion.

Step 5. Decline in Popularity. With further simplification of the design, and the use of still less expensive material, ornamentation, and trimmings, and the elimination of all handwork, low-price manufacturers copy and produce

the design at even cheaper prices. The design is now sold in cut-rate stores, department-store basements, and in outlet stores. When this happens, popular-price shopkeepers take markdowns on these designs because the life of the fashion is flickering out. It is now a *red* or dangerous fashion.

Step 6. Abandonment. The Style Becomes a "Has Been." Demand for the style ceases, and customers pass it by for styles higher up in the fashion cycle. Retailers who have any stock of the old style left try to *unload* it in every manner known to merchandisers.

Length of Cycle. The rapidity with which the style passes through the cycle varies greatly. Some styles are abandoned shortly after creation or adaptation without ever becoming popular. Normally, styles in home furnishings and automobiles have a long cycle of years. Styles in outer clothing have a shorter cycle of years. Styles in accessories, such as hats and handbags have a very short cycle, often only a few months. The length of a cycle also varies with different features of a style. For example, the basic lines, or silhouette of a dress, will have a much longer cycle than the color, material, or details of its design. Thus the wise buyer is always looking for a garment that has the basic lines that are popular, but that contains newer details that are enjoying an up-swing in the fashion cycle.

Fashion Counts. In order to determine how a style in clothing is progressing through its cycle, fashion researchers often make fashion counts; that is, they observe and record what people wear at successive intervals of time. Thus, to count the fashions in women's shoes, the researcher will classify shoes according to the various types, various materials, various colors, and various heel heights. Then he will observe the shoes worn by women in a place where fashion leaders gather, such as a smart restaurant in New York. This reveals what types, materials, colors, and heels are popular with the "smart set." By repeating the count at weekly or monthly intervals, he can determine which styles are moving up in the cycle and which down. Counts

are also made in other places where *blue* or *red* fashions may be observed in order to determine what *green* fashions are becoming popular with the mass of customers in lower social and income levels.

The Retailer Looks at Fashion

Since fashion is such an important buying motive in the lives of consumers, it follows that the retailer of fashion goods must consider fashion as a primary factor in the selection of goods for resale. Hence, in addition to the study of the customer and the study of sales figures, he must also study the fashion picture. Not only must he have a thorough knowledge of the fashion cycle, but he must understand what current events do to fashion; for wars, elections, seasons of the year, and discoveries may all directly affect fashion. He must pick up details of the fashion picture from many sources, put them all together, and thus obtain an idea of what can be sold and what will be difficult to sell. He does not guess at fashion trends but gets actual information from the following sources:

1. *Manufacturers' Preseason Shows.* Since manufacturers are keenly interested in fashion, they follow the fashion cycle closely, and manufacture only those styles that they feel will enjoy wide acceptance. These styles are shown to retailers long before the arrival of the season when the goods will be used.
2. *Color Charts.* The colors in clothing that will be popular during a coming season are determined by the textile, shoe, hosiery, or handbag manufacturers. They make researches on the subject by counting the number of times a certain color is worn by the more fashionable people at the resorts. Such studies are also made of types of materials and accessories. The trend in colors, materials, and designs is thus forecast for the retailer.
3. *Publications.* A trade paper, *Women's Wear Daily*, contains clothing fashion tips that are gathered by its staff of fashion experts. The information that these fashion

editors gather from manufacturers, designers, and other fashion sources is then written up for the subscribers. The same service is generally available to readers of other trade journals. At the same time, the retailer will probably read the fashion magazines to which his own customers subscribe. Such magazines as *Harper's Bazaar*, *Vogue*, *Made-moiselle*, and *Glamour* keep women abreast of the current fashions, while teen-age groups get their fashion ideas from *Charm*, *Junior Bazaar*, and *Seventeen*. If the buyer knows what fashions these magazines will promote, he can buy more wisely when he goes into the market for his merchandise.

What is true of trade magazines in the field of clothing is equally true of trade magazines in many other fields, including furniture, hardware, and jewelry.

4. *Marketing Services*. So important has fashion become that some indication of the fashion trend is generally sent to retailers who subscribe to a marketing service. Tobe, a fashion authority on women's clothing in New York, issues a weekly bulletin to her clients. Her fashion experts scout the whole market for new developments for the retailer and report it to him. Amos Parish, another fashion expert, holds semi-annual "fashion clinics" for buyers of leading stores all over the country. He forecasts trends and shows the buyers how to take maximum advantage of them.

5. *Retail Salespeople*. The salesperson who comes in contact with consumers has an opportunity to analyze their fashion preferences. This being the case, the alert retailer of fashion goods will not overlook the opportunity of building up his fashion picture with the details his salespeople and customers may contribute.

Special Problems of Buying Fashion Merchandise

How long people will like a certain style is always a guess. Even though every effort is made to apply scientific principles to the buying of shopping goods, it must be admitted that public tastes are often unpredictable. But certain principles are always adhered to by the wise retailer

of fashion merchandise. First, he will attempt to buy merchandise that is going up in the fashion cycle, but has not yet reached the peak of popularity of the cycle. Second, he carefully avoids styles which are being sold in bargain basements or on reduction racks. He knows these styles are losing their appeal. Third, he will plan approximately how long he should keep a certain fashion style in stock, and what he will do if he has to get rid of it quickly. Fourth, he will show his buying plan and discuss the styles he plans to buy with his salespeople, giving them information on the current styles and getting their opinions as to the wisdom of his buying. Fifth, he will make sure that his system for keeping an accurate record of his fashion goods is kept up-to-date so that he will know at all times the sales trend of the fashion goods.

The Buying Plan

After a fashion buyer has studied his customers, his sales records, and other sources of information, he may prepare a buying plan. Here is how one buyer recorded what she wanted to buy.

An Example. A young woman, Miss Charlotte James, planned to open a dress shop in the fall of the year. She found that her acquaintance with most of the influential women in her community helped her in determining what to buy. By observing and by questioning her acquaintances and friends, she discovered many facts about their wants and needs. She found out much about sizes; about the relative demand for daytime, evening, and sports dresses; about the amount generally spent for dresses; about the types of dresses liked best and the colors preferred; and about preferences for rayon, wool, and cotton.

Miss James had only \$3,000 available for stock and did not want to invest all of it until after she had had some experience in selling the first lot of dresses she selected. She therefore decided to make an initial investment of \$2,500. With an average cost of \$10 a dress, this would allow for 250 garments.

At first thought 250 dresses might seem like a large number. But the dresses had to be of various sizes and suitable for various uses.

In view of the facts she had observed about possible customers, she decided to distribute the dresses she bought by classification, price, size, and color, in accordance with the table below. Except for the very small sizes, she

MISS JAMES' FALL OPENING PLAN

250 Dresses—Misses' Sizes Only

Type of Dresses:

		75 at \$14.95 retail
Street Dresses	220	95 at \$16.95 retail
		50 at \$19.95 retail
Evening Dresses	30	\$16.95 retail

Total 250 dresses

Color of Street Dresses—All Prices:

Black	103		
Basic fall colors	77	Best basic color	37
		2nd best basic color	24
		3rd best basic color	16
High shades	40	Best high shade	20
		2nd best high shade	12
		3rd best high shade	8

Total 220 street dresses

planned to have at least ten dresses in each size, at each price, so that the customer would have a good assortment of styles and colors from which to choose. Although she made no separate plan for wool dresses as distinct from rayon, she realized that in the actual selection of styles a considerable proportion of wool dresses would be necessary. She also realized that her plan might have to be changed when she actually began selecting dresses.

DISTRIBUTION OF THE 95 DRESSES TO BE SOLD AT \$16.95

(Other priced dresses to be distributed similarly.)

Color	Number	Distribution by Sizes					
		10	12	14	16	18	20
Black	45	3	6	9	10	9	8
Best basic color—brown	16	1	2	3	5	3	2
2nd best basic color—blue	10		1	3	3	2	1
3rd best basic color—green	8		1	1	2	2	2
Best high shade—red	8	1	1	2	2	1	1
2nd best high shade—beige	4			1	1	1	1
3rd best high shade—purple	4	1	1	1	1		
Total	95	6	12	20	24	18	15

Planning by Classifications. It is the usual plan for merchants to subdivide each general line of goods. A few of the more common subdivisions of merchandise are:

TYPICAL MERCHANDISE CLASSIFICATIONS

NOTIONS

Wardrobe accessories
Findings
Hair goods
Sewing accessories

SILVERWARE

Sterling flatware
Plated flatware
Sterling hollow ware
Plated hollow ware
Baby silver
Miscellaneous metals

LINENS

Towels (bath and face)
Dish towels
Bath rugs and mats
Shower curtains
Embroidered table linens
Novelty linens
Damask cloths

LAMPS

Floor lamps
Living-room lamps
Boudoir lamps
Shades

Planning the Assortment by Prices. Within each classification of fashion goods it is generally necessary to have an assortment of various prices. It is true that some men's hat stores and shoe stores use a single retail price, but most of these stores are units in chains located in large cities that can attract many people by a single popular price. In most stores it is necessary to cater to people whose purchasing power and quality demands vary.

A good plan is to establish three main prices, all of which are within the range of prices paid by the group that the store desires as customers. Such planning makes it possible to cater to those who generally pay more and to those who generally pay less than the average price. It also suits the needs of the customer who occasionally wants a better or a cheaper article than he usually buys.

A limitation of price lines makes selling easier and quicker. The prices are far enough apart so that, near the start of a sale, the customer can decide on the price he is interested in and then limit his attention to getting the best fit, style, and color in that price.

From the standpoint of buying, too, a limitation of price lines is beneficial. It is very hard to plan an assortment when there are many price lines. To put on paper a plan with many different price lines would be difficult. Stores that have only a few price lines find buying much simplified, as they can concentrate on looking for the most attractive articles at those prices. They make better selections than do those stores that buy first and decide on retail prices later, or those stores that waste time hunting for goods to sell at any one of a multitude of prices.

Planning the Assortment by Sizes. Size is a factor with most fashion goods. This is true not only of clothing but of many home furnishings as well. Hence it is necessary to determine the customer demand for each size and to buy accordingly.

Much work has been done in recent years to simplify size assortments. For example, one store carried twelve sizes of drainboards but found that five sizes would satisfy the

requirements of nearly everyone. This made possible a large reduction in stock without a reduction in sales.

Planning the Assortment by Colors. Color has become a major consideration in the case of most fashion goods. Some homes now have colored sheets and many have colored bathroom equipment. In the case of women's shoes, color is more important to most women than the material from which they are made; hence we may say that with women's shoes, color becomes a major classification. Likewise men's white shirts are so important that they are generally set up as a separate classification.

Standard and conventional colors always account for the majority of sales, but the new seasonal colors, called *high shades*, have great attraction and display value and hence are often stocked in great quantities. Because they are new and interesting, there is a danger of overstocking them and of failing to carry enough of the staple colors.

VOCABULARY

Study the following words. Try to make them a part of your vocabulary.

Buying plan—A distribution on paper of the kind, size, colors, styles, and prices of items to be bought.

Color chart—The colors in certain lines of merchandise that leading manufacturers are sponsoring for a season.

Couturier—A professional designer of women's clothing.

Fad—A short-lived fashion of minor consequence.

Fashion—The style which is popular at any given time.

Fashion cycle—The curve showing the life of a fashion from its creation to its ultimate abandonment.

Fashion source—The place where fashion originates, e.g., Paris, London, New York, Hollywood.

Look-rightness—The appearance factors—color, design and texture—in merchandise that make it fashionable.

Pre-season showing—A manufacturer's style show, the chief purpose of which is to give buyers an idea of what will be in fashion for the coming season.

Style—The distinguishing characteristics of an article, including form, design, and color.

QUESTIONS ON THE CHAPTER

1. Name the desires which give rise to fashion.
2. What fashion changes have been made in notebooks, fountain pens, and student desks since last year?
3. Describe the style of a piece of furniture in your home.
4. What is the difference between
 - a. Style and fashion?
 - b. Fashion and fad?
5. Why does the retailer make a careful study of the fashion picture of his goods?
6. Explain the steps of the "fashion cycle."
7. How does the fashion cycle apply to other goods than women's wear?
8. What remedies does the retailer have for a quickly changing fashion?
9. How do the following help the retailer in buying fashion goods?
 - a. Pre-season shows
 - b. Color charts
 - c. Publications
 - d. Marketing services
 - e. Salespeople
10.
 - a. What magazines help students determine what will be in fashion?
 - b. What magazines help retailers?
11. Name five steps the retailer takes before buying fashion goods.
12. What is a buying plan?
13. Name four classifications in women's hats.
14. Explain how color affects fashion.

PROBLEMS FOR DISCUSSION

1. Discuss the outstanding fashion today in (1) kitchen equipment, (2) lamps, and (3) automobiles.
2. Mrs. Renolds pays as much for good style as for material and workmanship. Is she right? Why?

THINGS TO BE DONE

1. Draw the fashion cycle.
2. Begin a fashion scrapbook for one type of merchandise in which you are interested.

3. Show through pictures which you collect how merchandise fashions change slowly.
4. Make a list of everyday merchandise which began as a fashion and has become permanent.
5. Find out and report for what one or more of the following designers are famous.
 - a. Lanvin
 - b. Worth
 - c. Sally Victor
 - d. Lucien Lelong
 - e. Jean Patou

WHAT WOULD YOU DO IN THESE CASES?

1. You are a salesperson in a downtown store specializing in sportswear for women. An extremely feminine woman approaches you and explains that she needs an ensemble for a vacation on a "dude ranch." How would you plan her ensemble?
2. You are a salesperson in the shoe department of a downtown store. The buyer for the department plans to retire soon and is looking for someone to train as a replacement. He visits your department one day and remarks that since salespeople come in contact with customers, they have an opportunity to analyze customer preferences. He wishes you to prepare during the following week a list of suggested shoe styles that you think the customers want. How would you go about getting the information and preparing the list?

CHAPTER X

TOP SECRETS OF A RETAILER— HIS RESOURCES

A young man from a small town visited the largest department store in the world on his visit to New York City. He was amazed with the variety and complete assortment in each of the departments of the store. He had never seen anything like it. On display were thousands of different items, in hundreds of price ranges, from five cents up to thousands of dollars. He had heard that this store frequently had sales of over a million dollars in one day, and now that he saw the wealth of items from all parts of the world, he could understand why it would be true. He toyed with the wide variety of sporting goods, wondered at the fragility and beauty of the china from England, France, Italy, and the United States. Foreign rugs and carved objects from the mysterious East held his attention for a long time. Furniture from Grand Rapids, bicycles from here and abroad, shoes from three or four manufacturing centers in this country—all made his eyes open with amazement.

"It's wonderful," he thought, "what modern retailers can do. Imagine selling over a million dollars' worth of goods in one day! Why, they must buy everything in order to have such goods on hand to sell to so many people. I don't see how they can do it."

If he could have visited one of the top floors of this department store, he would have found the answer. The buying procedure necessary to provide for sales of over a million dollars a day is most orderly. The problem of where to get the goods is solved daily, hourly, on this floor far removed from the hubbub of the selling floors. Here in little booths, reserved for the buyers of the different departments, the men and women responsible for buying the goods for resale confer with the representatives of manufacturers and wholesalers, look over merchandise samples, and decide where to buy.

The problem of *where to buy* faces every buyer, whether he is the owner of a small store or only one of a hundred or more buyers of a large department store. Each one faces the problem with certain information and a certain understanding which help him solve this perplexing question.

Channels of Distribution

The path that goods take on their way from producer or manufacturer to the consumer, is called its "channel of distribution." At one end of the road is the producer, and at the other end of the road is the consumer. There may be stops, detours, forks in the road, and even bottlenecks, all of which make the distribution of the goods to the consumer a long and costly affair. Here are some of the channels a buyer may choose for his goods to travel so that he can sell them to a consumer.

From Producer to Consumer. At first glance this road seems to be the simplest and easiest way for goods to get from the producer, whether manufacturer, grower, or extractor, to the consumer. It is used infrequently, however. In the case of tailor-made men's clothing and some farm products, this path is the means by which the producer gets his goods to the consumer. A simple example of this route is the consumer's purchase of corn, eggs, milk, or garden products direct from the farmer.

While this method of distribution is excellent for perishable goods or for goods manufactured to the specifications of an individual consumer, for most merchandise it is more expensive than it seems. For a large manufacturer to attempt to make sales contacts with thousands or even millions of consumers would cost much more than it would to move goods through more involved channels.

Producer to Retailer to Consumer. Here one stop has been introduced along the road of distribution. The producer has found that consumers cannot get to him in large numbers, or he cannot get to them, and has found that a retail store will give him wider distribution at lower cost. This method of distribution is especially used with fashion

goods, shopping goods, items which are bought in large quantities, or costly single items. It is called buying "direct." Thus ladies' dresses, coats, and suits are purchased by department-store buyers "direct." Five or ten gross of toothpaste may be bought by a large drug chain "direct." One costly living-room suite may be purchased by the retail store "direct."

This method gives the consumer an opportunity to choose from a larger assortment than one manufacturer produces, and to make selections locally rather than by traveling to the manufacturers' show rooms.

Producer to Wholesaler to Retailer to Consumer. This method of distribution may be desirable if a store does not need to buy in large quantity. The goods now make two stops on their way to the consumer. The first stop is at the wholesaler's and the second at the retailer's. In order to understand this channel, it is necessary to know about middlemen and agents.

Wholesale Middlemen. A *middleman* is any dealer who assists in the distribution of goods from producer to ultimate consumer. Thus the retailer is a middleman. A *wholesale* middleman, however, assists in the distribution of goods from producers to retailers; he does not sell to the ultimate consumer. The wholesale middlemen from whom retailers buy may be either wholesalers or agent middlemen.

Wholesalers are dealers who buy from producers or other wholesale dealers and sell to retailers or to institutional or commercial users. Thus some wholesalers specialize in selling goods to such institutions as hotels, hospitals, and schools. Others sell materials, supplies, and parts to producers. Wholesalers that sell primarily to retailers are sometimes called *wholesale merchants*. They buy goods outright and generally store them and then resell them through salesmen. Ordinarily they grant credit to their retail customers, and they make deliveries.

The wholesaler is the retailer's usual source of supply for convenience and staple goods. Foods, drugs, and sta-

tionery, for example, are sold in many small stores all over the country and are produced by thousands of manufacturers and packers. For each producer to make direct contact with each retailer would involve a costly and cumbersome selling process. Thus if 1,000 retailers each bought direct from 100 producers a month, they would have to make 100,000 sales contacts. But if a wholesaler acts as an agent between the retailers and the producers, only 1,100 contacts are required. Each of the 1,000 retailers can order 100 products at once from the wholesaler, who can consolidate the orders and replace his stock by means of 100 orders with the producers. Such a reduction in the necessary number of contacts needed to move a specific quantity of goods greatly reduces the selling costs for manufacturers and the buying costs for buyers. Transportation costs are likewise decreased, since it costs much less to ship a large lot a long distance, from producer to wholesaler, and then to break it up into several small lots and ship them a short distance than it does to ship many small lots a long distance each.

The small retailer may find it advantageous to purchase from a wholesaler for one or more of the following reasons:

- (1) The manufacturer may refuse to sell to the retailer in the small quantities that the latter can afford to buy economically.
- (2) The manufacturer may charge the retailer as much for small quantities as the wholesaler charges.
- (3) Even if the manufacturer's price is less than the wholesaler's, the added cost of transporting goods from manufacturer to retailer may make the combined cost greater than the cost of buying from a local wholesaler who delivers by his own truck.
- (4) The manufacturer may not give as good delivery service. He can seldom make as quick delivery as a near-by wholesaler. The difference in time is not due entirely to distance, but also to the fact that many manufacturers do not start to make goods until they receive orders. Wholesalers, on the other hand, carry a stock for quick delivery.

- (5) The manufacturer may not provide other services to the degree that the wholesaler does. He may, for instance, grant shorter credit terms, and he may not be able to assist the small retailer in other ways.
- (6) It may take more time and bother to place small orders with many manufacturers and to receive many separate small shipments from each than it takes to place a few large orders with wholesalers and to receive a few large shipments from them.

Large retail concerns, of course, can buy enough economically to deal direct with many manufacturers. Even the largest department and chain stores, however, handle some items in such small quantities that it pays them to deal with wholesalers. Moreover some manufacturers of needed products have a policy of selling only to wholesalers—so even the biggest retail buyers have to patronize wholesalers if they desire these products.

Agents. Agents assist in the sale of goods but do not own the goods in which they deal. There are two main types: *commission merchants* and *brokers*. The former handle the physical goods in which they deal; the latter do not.

From the angle of the retailer, the commission merchant is very similar to a wholesaler. Since he does not own the goods in his possession, however, he may not be free to set the price or the terms of sale, although he is sometimes given this authority.

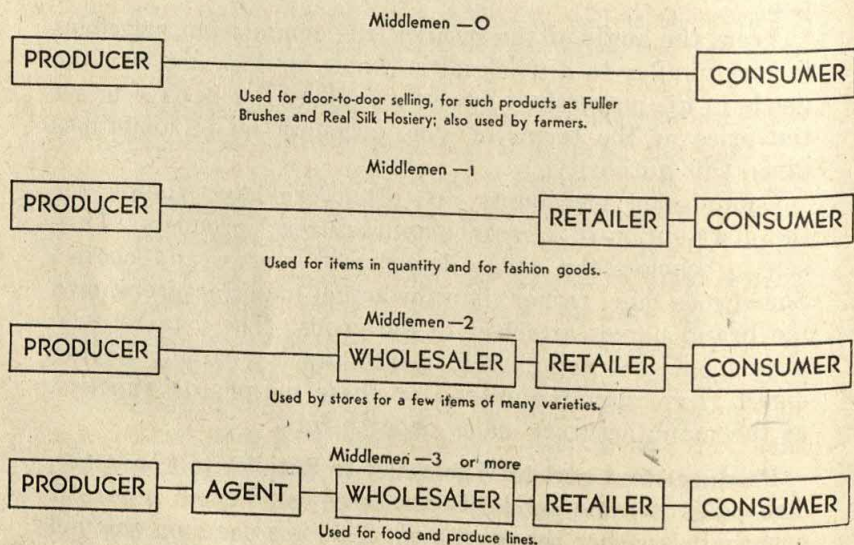
Commission merchants are often exclusive agents for the distribution of certain manufacturers' products. They sell to wholesalers, large department stores, and chains. Sometimes they, rather than the actual manufacturers, own the brand names attached to the goods. The retailer who buys from such commission merchants is virtually buying direct from manufacturers, for these merchants function as the manufacturers' sales departments.

Producer to Agent to Wholesaler to Retailer to Consumer. The path of some goods passes three middlemen before it eventually reaches the consumer. This is a common channel

for produce, fish, and farm crops. Although each middleman adds his expenses and a little profit before he passes the goods on to the next middleman, the services he performs in buying, selling, storing, and perhaps grading the goods, usually justifies the cost. Many times in the past, producers and retailers have tried to do away with the middleman so that the cost of goods would be lower for the consumer, but up to the present time no other more efficient system has evolved.

Combination of the Channels of Distribution. While it is possible to buy goods that pass through only one channel of distribution, most stores use two or more channels. For instance, a drugstore may buy soap, toothpaste, and certain creams direct from the manufacturer, if these items are handled in quantity. Yet that drugstore may buy combs, rubber bands, stationery, bathing caps, sunglasses, and many other items from a drug and sundry wholesaler, since it does not handle enough of one item to buy from the

CHANNELS OF DISTRIBUTION



many different manufacturers involved. This same store may also buy some soap, toothpaste, and creams from the wholesaler if it runs short of these items and cannot wait for a distant manufacturer to make shipment. Thus the store is using a combination of channels.

Buying Sources

After a store has determined its merchandise requirements, it must locate the best possible sources for the goods and must select the best goods from these sources (or resources, as they are also called). An established store will have a reliable list of sources of supply, but it is wise to become acquainted with additional sources. This is especially true for newly established stores. So many changes constantly take place in merchandise produced and in services rendered that every store buyer should endeavor to become thoroughly acquainted with the entire wholesale market for his goods.

Resident Buying Office

Stores specializing in fashion goods frequently procure the assistance of a market expert who helps stores find the best sources for their goods. Such a resident buying office, as it is called, helps in the following ways:

- (1) It gives advice as to the best sources for goods of every classification, price, and style. This it is able to do because it maintains an up-to-date file of all manufacturers.
- (2) It keeps the store in touch with all developments in the wholesale market, including new styles, price changes, bargains, and general business.
- (3) It buys goods for the store whenever the store buyer is unable to go to the market himself. The buying is based on a description of what is needed by the store.
- (4) It follows up on store orders to see that goods are shipped on time.
- (5) It handles adjustments, involving returns or cancellations of orders.

- (6) It consolidates into one large shipment the purchases made from different manufacturers, thus saving transportation charges.
- (7) It provides a store buyer with office space, a stenographer, and personal service when he is in the market, and it notifies manufacturers when the store buyer will be in town.
- (8) It provides one of its own buyers to help the store buyer make selections.
- (9) It is occasionally able to get price concessions and exclusive styles for the store because of its association with other stores that buy the same styles.
- (10) It gives advice on problems of storekeeping with which a merchant or a buyer may experience difficulty.

Group Buying

Resident buying offices sometimes arrange group buying for their member stores. Under this plan the buyers of a group of stores meet together and select styles that all can sell. The usual procedure is for the resident buyer to assemble styles newly designed by different manufacturers. These are inspected at a meeting, each buyer voting on his preference. Usually every buyer agrees to take at least a minimum number of all styles approved by the majority. Occasionally, when the buyers are located in stores all over the country, the styles selected are advertised nationally. More commonly, however, advertising art work and copy for the selected styles are prepared for the entire group but are run in local newspapers by each individual store. Group buying is now being supplanted to some extent by another method, known as central buying.

Central Buying

Chains separate their buying from their selling, as we found when we studied store organization. In the chains, central buyers specialize in the selection of merchandise and store managers specialize in selling. Groups of independent stores are also experimenting with this plan, gen-

SYNDICATE ALLIANCE TRADING CO.
33 West 34th Street
New York City

Boy's Corporal Coat —

The military trend in boys' wear is still holding the spotlight.

We have located a very nice boys' coat and hat in size ranges 4 - 10 made of an olive drab wool 32 ounce cloth, 65% virgin wool and 35% re-processed wool.

This coat is made with fine quality brass buttons, two piece belt, slash pockets, very well tailored. The price of the coat is \$6.50 each net, and caps to match priced at \$1.00 net. The cap sizes run from 6½ to 7. Delivery immediate.

RESOURCE

Irwin Specialty Co.
935 Broadway
New York City

SYNDICATE ALLIANCE TRADING CO.

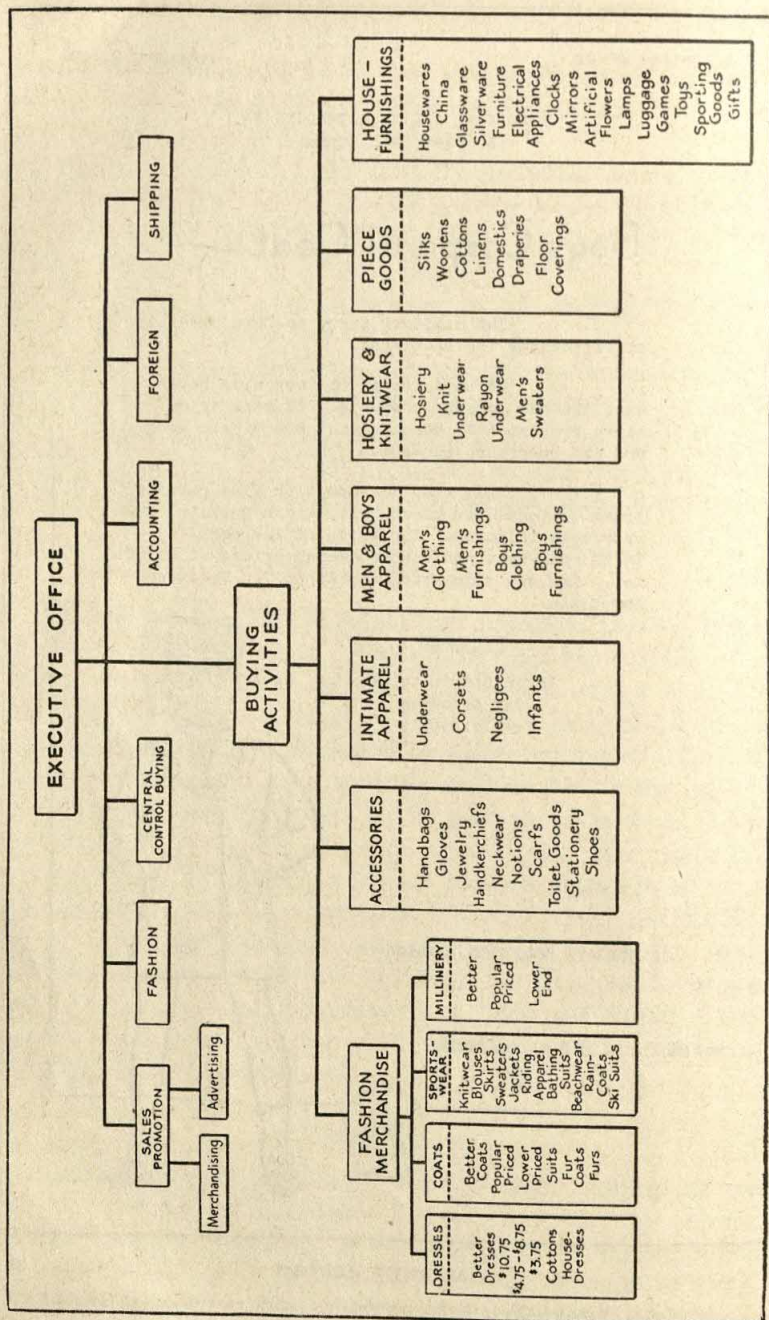
wcm:ah

W. C. MEYER



A MARKET REPORT

Resident buying offices send reports of new merchandise and of special values to their member stores.



ORGANIZATION CHART OF A RESIDENT BUYING OFFICE

Resident buying offices are organized somewhat like stores.

erally through the agency of their resident buying offices. Where used, the individual store buyers are replaced with sales supervisors, and buying is concentrated in a central office.

There are three main kinds of central buying: central merchandising, listing, and central warehousing and requisitioning.

Central Merchandising. This plan is used extensively with fashion merchandise. Under this plan the sales supervisor sends to the central office a daily report of (1) the styles he received into stock and (2) the styles he sold. Once a week he writes a letter telling about local demand and sends in a list of the goods in stock, called an *inventory report*.

On a basis of the knowledge thus obtained from all stores, the central office decides what merchandise to buy for the group of stores as a whole, what to send to each store, and even when goods in the various stores should be marked down. The central buyers keep informed about peculiarities of demand in different stores and try to avoid sending a style that will not sell.

Listing System. Under this plan the central buyers decide on the items that stores may carry, and also on their prices, and then send each store a list or catalog of these items. The store manager or sales supervisor decides which of these items to stock and orders them in the quantities and at the time needed. Special permission has to be obtained to buy items not listed. Thus the buying function is split up: the central office sets specifications, selects styles, determines prices, and makes shipping arrangements; the stores decide when and how much to buy and then order from the listed sources. This plan is used for shopping goods that do not change so rapidly in style as do dresses and hats.

Requisition Plan. When central buying is applied to such products as groceries and drugs, the common plan is for the central buyer to purchase and to warehouse the staple

goods and for the stores to order what they need by means of requisitions to the warehouse. Thus the central buyers actually buy—they do not simply make buying arrangements—but the stores decide on when and how much to requisition.

Other Methods of Market Contact

In buying fashion goods, resident buying offices provide the chief outside aid in making market contacts, but there are other important aids.

Salesmen. Most stores rely considerably on traveling salesmen. Since many buyers cannot afford frequent trips to New York or other large buying centers and since they prefer not to leave the selecting of merchandise wholly to resident buyers, they buy much of their stock from salesmen who call at the store.

This time-honored method of making market contacts is still used a great deal, especially by smaller stores. When a buyer is in search of a specific item, he consults the salesman. If the salesman does not carry the product

Ewing Galloway



BUYING FROM A SALESMAN

Many small merchants depend largely upon wholesalers' salesmen who visit their stores periodically.

himself, he frequently knows who does and is generally glad to provide the information—as a service to the buyer.

Trade Advertising. Advertisements in trade papers, direct-mail advertising, and catalogs often show the buyer new market sources. He may place small first orders as the result of an advertisement; but if an advertisement is for fashion goods, the buyer is more likely to visit the advertiser's place of business or to write for further information and samples. Manufacturers' advertising in consumer magazines is likewise followed by retailers, for it may forecast a coming demand for a product that the store does not carry at the time.

Trade Directories. Classified directories of wholesalers and manufacturers are occasionally used as sources of information as to where to buy, but they are used chiefly for addresses. In addition to classified telephone directories, other trade directories prepared by trade publications are available. Examples of such directories are *Accessories and Small Wares*, *Fabrics*, *Milinery*, and a directory prepared by *Hardware Age*.

Market Trips. Buyers located outside of the chief market centers often find it necessary to schedule regular buying trips. Of course merchants handling staple products, such as groceries, can depend largely on wholesalers and traveling salesmen. They often find it nec-

348 Evening, Dinner, Dance, Bridal, Graduation Dresses

ARMOUR-SMALLBERG INC 498 7th Av. LA 4-0260
\$16.75 up See our ad on page 363

Arnold Robert Inc 498 7th Av. LO 5-2626

Artistic Bridal Gowns Inc 10 W 33. PE 6-7378

Avalon Dresses Inc 224 W 35. CH 4-0783

B J Costume Co Inc 530 7th Av. BR 9-1638

Bagro Gowns Inc 530 7th Av. WI 7-5470

Barbara Costume Co 711 5th Av. WI 2-1416

Barbara Dance Frocks Inc 1385 Bway. WI 7-7646

Barbizon Dance Frocks Inc 525 7th Av. WI 7-0640

Barnett Joseph & Ben Inc 498 7th Av. LA 4-9623

Baron-Zenkel Inc 498 7th Av. ME 3-6156

Beldene Dress Co Inc 101 W 37. WI 7-3607

Bellefair Dance Frocks Inc 1385 Bway. BR 9-0718

Brlow Shane & Co Inc 1385 Bway. WI 7-2773

SCHULTZE-ZUCH^{CO}
INCORPORATED

Specialists in
DINNER DRESSES

SIZES 12-20 \$10⁷⁵. \$12⁷⁵

525-7TH AVE. N.Y. WI. 7-8887

A PAGE FROM A TRADE DIRECTORY

These booklets contain classified lists of manufacturers.

essary, however, to visit the nearest wholesale market for fresh fruits and vegetables.

Other Buyers. Buyers themselves exchange a great deal of information in regard to resources that they have found profitable. Of course such exchanges of information occur between noncompeting buyers, that is, between buyers for stores in the same line but in different cities.

BUYING SOURCES—WHERE TO BUY

1. Resident buyers
2. Salesmen
3. Manufacturers or producers
4. Wholesalers and brokers
5. Trade magazines

Selecting Resources

Regardless of the method of contacting sources of supply, there remains the problem of making a choice among them. With the consumer's growing insistence on sound values and suitable goods, the problem of selecting the right sources is particularly important.

Factors to Consider. There are many factors to be taken into consideration in selecting sources. The most important are:

- (1) Suitability and dependability of the merchandise offered for sale. What is suitable depends upon the type of customers that deal at a store. Dependable goods will not vary in quality.
- (2) Size of the wholesaler's or manufacturer's stock. Large stores in particular must know how much goods a seller can provide at short notice.
- (3) Favorable prices and terms. Every buyer is looking for low prices. The buyer must exercise great care,

however, so as not to buy inferior merchandise in an attempt to secure low prices.

- (4) Service rendered by the seller. This includes speed and regularity of delivery, the furnishing of display materials and other aids to selling, liberality in handling complaints, and credit accommodations. These forms of service may be quite as important as low price.

Resource File. For every one of the manufacturers and the wholesalers contacted, the buyer should make out a resource card, giving the name and the address of the seller, the terms allowed, the kind of goods carried, the prices in which the seller specializes, the name of the salesman met, and the general impression of the firm. In the event that he makes a purchase, he should record on the card the promptness of delivery and the care exercised in filling the order. These cards should be arranged by classification and by price line. If this is done, the buyer will have an excellent resource file to refer to when in need of new stock.

Large Co. Small Co. Partnership Individual	Nature of Business	Classi- fication
Name		
Address		
City		Room No.
Telephone		
Represented by		Code No.
Factory Address		
Remarks		
Terms	Discount	F.O.B.

A RESOURCE CARD

A card like this should be made out for every vendor contacted and placed in a resource file.

Selecting Numbers

A young man accompanied a buyer of draperies and his assistant to Philadelphia to look over possible purchases. They sat in a well-lighted room in front of an easel, and looked at six-foot lengths of materials that the salesman draped over the easel. Over one hundred pieces of cloth were displayed—one after the other. The young man almost became dizzy looking at the variety of patterns. He noticed that the buyer occasionally jotted down the number of a pattern, thus indicating that he was considering buying it. But the young man could see no basis for the buyer's selections. Some patterns that he thought gaudy and in poor taste the buyer chose, and others that the young man thought attractive were passed by.

After the buyer had seen the entire line, he asked to see again the twenty pattern numbers he had jotted down. He studied these carefully and finally selected twelve. But the young man was at a loss to see why they were chosen.

Rules for Buying. After the market trip was over, the young man asked the buyer how he could tell which styles

SELECTING STYLES

In the manufacturer's showroom the store buyer examines the latest styles. She first inspects them on a model and then "on the hanger."

Good Housekeeping



to select and which to reject. The latter admitted that he made mistakes, but he gave the following rules that he followed in buying:

- (1) "I make a buying plan of what I need to round out my stock to satisfy customer demand. I make this by analyzing past sales and estimating how much I can probably sell during the season in each material, color, and price. I then count my stock to see how much of my requirements are already on hand, and I plan to buy the difference between what I need and what I have. In looking over a manufacturer's line, I select only those patterns and styles that fit into my plan from the viewpoint of materials, colors, and prices. I check off on my stock plan each pattern I order, and I thus make sure that I have a nicely assorted stock. I also avoid the risk of having too few or too many in certain materials, colors, and prices.
- (2) I try to forget my personal preferences entirely and to bear in mind that I am not selecting for my own home but for my customers. I have been in business long enough to have a pretty good idea of what they like. I buy deliberately some patterns that seem to me to be in poor taste, since some of my customers like that sort of thing. Although I show them well-styled merchandise and attempt gradually to improve their taste, my main job is to give them what they want.
- (3) As I look at each pattern, I have the following questions in mind about its suitability:
 - (a) How will it look when it is made up into a finished drape and adorns someone's windows? Will it add to the beauty or livability of the home?
 - (b) Is it so similar to a pattern I already have in stock as to seem the same to the customer?
 - (c) Does the pattern incorporate important features of those patterns that have recently been successful but that are no longer available?

- (d) Have I seen something very similar at either a higher or a lower price in another manufacturer's line? If it has proved a good seller at a higher price, it is likely to be a good purchase. If it has already been duplicated at a lower price, it should generally be avoided.
 - (e) Are the quality, the material, the construction, and the dyeing (as well as the pattern) such as to insure lasting customer satisfaction?
 - (f) What will my customers think it worth per yard, and can I afford to sell it at that price in view of the cost and of my required markup?
- (4) I get the opinion of someone else whenever I can. This time my assistant was along. When I am looking over salesmen's lines in the store, I ask the advice of my assistant and also of my salespeople. I don't always act on their judgment, but I do recognize that they are even closer to the customer than I am. When I do purchase a pattern of which they approve, they feel that they had a hand in the selection and display a great deal of enthusiasm and responsibility in selling it.
- (5) I never try to make a final decision when I first look at a pattern. If it is interesting, I jot down its number for a second inspection. While today I made my second inspection as soon as I had looked over the whole line, I often come back later after I have seen other lines, or ask the salesman to bring these numbers to the store for me to see again. In this way I can limit my buying to the 'cream' of the line and of the market. I don't want to buy all the styles of a manufacturer, but only the best ones. I try to find out if other store buyers have found that a certain style is a good seller. The manufacturer tells me which styles have appealed to retailers, although, of course, he doesn't know whether customers have actually bought them. My resident buying office also helps me. In fact, it gave me a list yesterday of the pattern numbers that other

stores in other groups found particularly good, and as I looked over the lines today I watched for those numbers.

- (6) Because of the danger of markdown, I avoid ordering in advance the entire quantity I think I should buy during the season. I buy enough to test out the patterns and depend as much as I can on reorders. Of course there are patterns that cannot be obtained quickly, and I am forced to take a chance in ordering my estimated season's requirements in these patterns."

The above rules, with minor modifications, apply to the selection of all new shopping goods. As suggested in Rule 2, the closer the buyer can come to buying for specified customers he has in mind, the more successful he will be.

HOW TO BUY

1. Plan—What to buy.
2. Decide—Where to buy.
3. Select—Styles, colors, fashions, quantity, prices.
4. Follow—Rules for buying.

VOCABULARY

Study the following words. Try to make them a part of your vocabulary.

Central buying—Buying done for a group of stores by one buyer who has the authority to buy for all.

Consumer—One who uses the goods he buys.

Direct buying—The purchase of goods by the retail store from the manufacturer or producer.

Group buying—Co-operative buying, done by a group of non-competing buyers who look over manufacturers' offerings and decide what to buy collectively.

Listing system—A central buyer's arrangement whereby stores in a group buy only items listed in catalogs by this buyer.

THINGS TO BE DONE

1. Draw a chart showing the channels of distribution for three of the following items: Fresh fish, small quantities of cosmetics, furniture, meat, silverware, carpets, refrigerators, shoes, dresses, towels.
2. Rewrite the questions on pages 223 and 224 that the drapery buyer asked about each pattern to make the questions suitable for:
 - a. A buyer of dresses.
 - b. A buyer of specialty food products.
 - c. The buyer of new items of builders' hardware.
 - d. The consumer buying clothing for his or her own wardrobe.

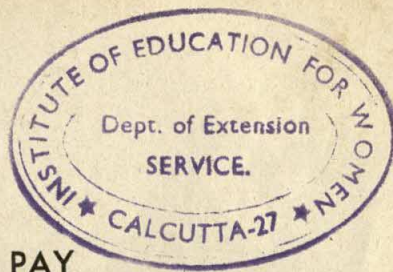
WHAT WOULD YOU DO IN THIS CASE?

A men's furnishings buyer is required to make a special purchase of 50 dozen shirts for a store-wide sale. The merchandise manager's instructions are that shirts of the quality for which the store regularly paid \$27.00 a dozen should be purchased, but that in this instance not more than \$24 a dozen should be paid. The buyer is further directed not to buy discontinued numbers, seconds, poor colors, or odd sizes.

The time is the height of the selling season, and the buyer finds himself somewhat at a loss to decide which merchandise resource to approach. He considers the following possibilities:

- (1) *Resource A*: A manufacturer from whom the buyer has made occasional purchases at regular prices.
- (2) *Resource B*: A manufacturer with whom the buyer has not been doing business, but whose salesman has been calling on the store for the past year and who is most anxious to obtain the account.
- (3) *Resource C*: A manufacturer who has obtained over a period of years a good share of the buyer's regular business.
- (4) *Resource D*: A jobber who frequently has specials, from whom the buyer has bought only on rare occasions.

Which resource is most likely to accede to the buyer's request? Which resource is most desirable from the buyer's viewpoint? Which is the next one to approach, if the most desirable resource refuses? Write out reasons for your opinions.



CHAPTER XI

HOW MUCH TO PAY

Deciding Upon Price

A young housewife who was shopping for a salad bowl saw a very attractive one priced at \$1.95 in a high-class department store. Not wanting to pay that much and not seeing one that sold at a lower price, she tried another store noted for its popular prices. Here she saw the same bowl offered at \$1.44 and bought it. But a few days later, while shopping in a china store, she saw the same bowl priced at \$1.39, and still later she saw it in another store at \$1.50.

This experience, along with several similar ones, convinced her that if she had sufficient time and the amount involved was worth the effort, she would save money by shopping around before buying. On the other hand, she realized that she would get better service and would find it much more convenient if she could select a store noted for consistently good values and service and then do most of her shopping there.

The retail merchant faces the same problem but in an even more acute form. He is really a purchasing agent for his customers and must obtain the best values for his money. This means that he must shop around and must become familiar with the price quotations of the leading sellers in his line before he makes a selection. To buy from the most convenient source or from the first salesman that calls is likely to result in paying too much.

But even as the housewife finds that there are advantages in selecting a reliable store in which to do most of her shopping, so the merchant finds it worth while to develop key resources with which to concentrate most of his buying. These are selected, of course, after the entire market has been carefully shopped; but once they are selected, they are given preference over competitors that may have equal values. Even when a competitor of a key resource offers better values, the merchant will bring the discrep-



Ewing Galloway

[Part 3]

BARGAINING

Every buyer finds it necessary to bargain occasionally. When the buyer believes conditions warrant a lower price than the one quoted, he does not hesitate to attempt to get a concession.

ancy first to the attention of his key resource. The latter is then likely to find a way to meet the price.

Bargaining. While most store buying is done at the prices quoted by key sellers, every buyer finds it necessary to bargain occasionally, that is, to attempt to get goods for less than the quoted price. As just indicated, shopping around may reveal that someone is underselling a preferred resource. It is then desirable to bring the matter to the latter's attention. Again, if the buyer is in the market for an unusually large quantity or is willing to relieve the seller of some normal expense, such as taking the goods with him rather than having them delivered, accepting less expensive packaging, or paying spot cash, he is justified in asking for a concession. Occasionally the buyer may suggest the detailed design for a fashion item and may thus relieve the seller of the designing cost, or he may request simplifications in the merchandise specifications. In such cases a special price may be justified.

Sometimes a group of stores band together and place group orders. The manufacturer is then able to quote a quantity price to the group even though the portion to be taken by each member is small. The manufacturer saves in production costs by turning out a large quantity of identical articles at one time, and he saves in selling costs by selling the lot as a unit rather than having to negotiate separately with each store.

Most bargaining occurs in the case of a *job lot*, which is an assortment of articles that a manufacturer or a

wholesaler has been unable to sell at a regular price and subsequently offers at a reduced price. Generally the lot contains goods of different qualities, all offered at a flat price per item. Since job-lot merchandise becomes less valuable every day it remains unsold, the manufacturer may hesitate to refuse a price that is somewhat below the price he had asked. The goods may be going out of style or may be shopworn. For the seller to refuse a low offer by the buyer may mean that the next buyer will pay even less.

As a general rule, it is much more important to buy the right goods than to save a few cents on the purchase price. The buyer who is a "chiseler" is almost sure to overemphasize price savings and to buy goods that fail to sell readily. Moreover sellers eventually discover who the "chisellers" are and they may advance their asking prices so that buyers will think they are getting bargains. Nevertheless it is true that every successful merchant is a shrewd trader. He makes no effort to bargain when the seller's price is right; but if he believes that the cost of production, the value of his purchases, the unusual conditions of sale, or the time of the season warrants a lower price, he does not hesitate to attempt to get a concession.

So long as a bargainer does not trick or threaten the other party into a price agreement, bargaining may be defended. It is a natural way to determine market values. It results in a compromise between different points of view; it consummates sales; and it moves goods that might otherwise depreciate in value.

Kinds of Discounts

A discount is a percentage deduction from the list price. It is allowed the buyer when he meets certain conditions. There are four kinds of discounts:

Quantity and Seasonal Discounts. As already pointed out, a buyer may qualify for a quantity discount by buying in unusually large quantities, and for a seasonal discount by buying during the seller's dull season. For example, an order for 1,000 items at \$1 instead of a usual order of 100

items may qualify a buyer for a 10 per cent quantity discount, which would make the price \$900 rather than \$1,000. These discounts do not involve unfair discrimination and are thus permitted by law, so long as they are limited to the savings the seller enjoys in manufacturing, selling, and delivery costs growing out of the unusually large quantity sold. They are unlawful if they exceed these savings.

Discounts for buying in larger quantities are so attractive that they may lead to overbuying. Thus a merchant who buys and sells 1,000 articles a month at \$1 each may be offered a 5 per cent discount if he will buy 3,000 articles, or a three-month supply, at one time. The saving of 5 cents an article seems very attractive. But the retailer should ask himself the following questions:

- (1) Have I \$1,850 to spare for the extra quantity? Will this investment keep me from buying other goods I need? Or can I borrow the necessary money at favorable terms?
- (2) Have I enough storage space for this quantity?
- (3) Is there danger of the goods deteriorating during the three-month period before they can all be sold?
- (4) Is there danger that the goods will go out of style during the period and have to be sold at a loss?
- (5) Is there a possibility that the wholesale price may drop during the coming three months? If there should be a drop in the price, it is possible that normal requirements in future months might be purchased at less than the quantity price of 95 cents that was obtained at the beginning of the period.

If all of these questions cannot be answered favorably, the larger purchase should not be made unless the lower cost price permits a lower selling price that will stimulate sales. For example, goods that cost \$1 may have been sold at \$1.50 in quantities of 1,000 a month. If the manufacturer charges only 95 cents for larger quantities, the retailer may reduce his price proportionately to \$1.43. At this price the merchant may be able to sell 1,500 a month instead of 1,000. Thus the quantity of 3,000 represents

only a two-month supply and the extra sales will probably more than offset the risk.

Trade Discounts. A trade discount is not usually a form of price concession but rather a method of quoting prices to different classes of buyers. For example, in the hardware trade it is customary for the manufacturer to quote list prices, which are actually the retail prices. Retailers are granted a stated percentage, perhaps 40 per cent, off list prices. The percentage is set high enough to cover the average dealer's necessary markup for expenses, losses, and profit.

Wholesalers are generally granted larger trade discounts than are retailers. They are members of a different trade. They generally buy in larger quantities than do retailers, and they perform a service for the manufacturer by extending his market. Thus a local manufacturer may have been selling direct to stores in his city, but he may wish to obtain customers elsewhere. It may prove cheaper to offer a wholesaler a price 10 per cent below a retailer's price than to hire additional salesmen and to pay for additional advertising in order to get additional customers.

A trade discount to the wholesaler may be quoted as "less 40, less 10." If the list price is \$1, this amount is computed as follows:

List price	\$1.00
Less 40%	<u>.40</u>
	.60
Less 10%	<u>.06</u>
	.54

It should be noted that where there is a series of trade discounts, each is treated as a percentage of the previous balance, not of the original amount. In the example above, the 10 per cent is a percentage of 60 cents, not of \$1. If a manufacturer sells an article to be used by another manufacturer, he may grant him a trade discount in addition to that the wholesaler obtains. Thus the manufacturer may receive a discount of 40, 10, and 5 per cent. A series of discounts like this is often called a *chain discount*.

The manufacturer often uses the trade discount as a device to change easily the prices of all goods in his line. For example, he may have a catalog with 1,000 items listed. He may decide to cut the prices of all his goods 10 per cent. It would be a costly matter to print and distribute a new catalog, but it is easy to send a notice to the retail trade to the effect that whereas the former trade discount was 40 per cent, it is now 40 per cent and 10 per cent. If prices have to be raised, it is easy to change the discount or to take off the last percentage.

KINDS OF DISCOUNTS

1. **Quantity**—Percentage deducted because of large quantity purchased.
2. **Seasonal**—Percentage deducted because of buying in seller's dull season.
3. **Trade**—Percentage deducted because buyer belongs to a certain trade or does business a certain way.
4. **Cash**—Percentage deducted because buyer pays within the period of days allowed by the seller for quick payment.

Ordinarily the class to which a buyer belongs determines his trade discount; but retailers have occasionally qualified for wholesalers' discounts by organizing buying offices with other retailers, and sometimes by setting up a warehouse for a group of stores that is very similar to the wholesaler's warehouse.

Cash Discounts. A cash discount is a discount that is given if a buyer pays promptly, that is, within a specified period, which is generally expressed as a certain number of days after the date of the invoice. The policy in regard to cash discounts is primarily a credit policy; therefore these discounts will be discussed further in the section on "Credit Terms."

Credit Terms

After the buyer and the seller have agreed upon the price and upon the quantity, seasonal, and trade discounts, they must agree upon the credit terms. These terms include the *dating*, that is, the time that the buyer may have to pay his bill, and the *cash discount*, the special discount given for prompt payment.

Dating. Goods may be sold for cash or C.O.D. (cash on delivery). Nearly all successful stores, however, have achieved a credit rating that allows them to buy on credit; that is, they pay for goods some time after they are shipped. The most common dating is 30 days. Sometimes 60 or 90 days, rather than 30 days, are allowed.

E.O.M. In the case of clothing, dating is usually figured from the end of the month. Thus if suits are purchased on April 5, they do not have to be paid for until a specified number of days after April 30. These terms are called E.O.M. (end of month).

R.O.G. Retailers who are some distance from the market may be granted R.O.G. (receipt of goods) terms, meaning that the date of payment may be computed from the date the goods are received by the store rather than from the date of shipment. Thus the usual net 30 terms in connection with a shipment made June 22 mean that the goods must be paid for on July 22. But if the goods are bought R.O.G. net 30 and arrive on July 2, they do not have to be paid for until August 1.

Extra Dating. In some trades buyers are given much longer credit terms. These may take the form of *extra dating* or *postdating*. In the former case, the buyer is given a specified number of extra days in which to pay. Instead of 30 days, he may be granted 60 extra, giving him 90 days; or 120 extra, giving him 150 days within which to pay.

Advance or Postdating. Much the same result is achieved by postdating, also called *advance dating*. In this case invoices are dated ahead of the date of shipment. For

example, a shipment of hats made on April 15 may be dated June 1, with a regular 30-day dating, giving the buyer until July 1 to pay the bill. This is often done to induce the buyer to purchase in a dull season rather than to wait until the rush period. Both methods are also used to obtain business from poorly financed stores that want time to sell the goods before they have to pay for them.

Cash Discounts. Most sellers offer a cash discount as an inducement to the buyer to pay in advance of the final due date. Sellers do this in order to avoid borrowing and also to avoid the collection costs and bad debts that so often result when no special inducement is offered customers to pay promptly.

To obtain a cash discount, it is seldom necessary for a retailer to pay as soon as goods are shipped or even as soon as they are received. The common practice is to allow the retailer 10 days from the date of the invoice, which should correspond to the date the goods are shipped. The 10-day period generally provides ample time for the goods to arrive and for the buyer to inspect them and to go through the routine of making payment. Thus if goods are shipped on July 5 with terms of 2/10, net 30, they must be paid for by July 15 to earn a discount of 2 per cent. The full amount is due on August 4. Failure to pay at the end of the credit period lowers the buyer's credit rating.

In the case of E.O.M. terms, buyers are generally given to the 10th day of the month following shipment to deduct the discount. Thus if goods are bought January 5 with terms of 3/10 E.O.M., a cash discount of 3 per cent may be deducted if payment is made by February 10; or the full amount is due the end of February. If discounts are larger, such as 8/10 E.O.M., manufacturers are frequently unable to insist that the full amount be paid if the buyer fails to pay by the 10th of the following month. In such cases the so-called cash discount is usually a trade discount that is deducted regardless of time payment. But the buyer who habitually fails to pay by the 10th is penalized in that his credit rating suffers and manufacturers may refuse to sell to him except on a cash basis.



Ewing Galloway

AGREEING ON THE TERMS OF SALE

The merchant should ask for cash discounts and favorable dating when making purchases.

If the retailer is granted R.O.G. terms, the buyer usually has 10 days from the date the goods are received to deduct the discount rather than 10 days from the date of shipment.

Where extra dating or postdating is granted, the cash discount date is likewise extended. Thus 2/10, 60 extra, net 30 means that the buyer has 70 days from the date of the invoice to deduct the discount. The full amount is due 90 days from the date of the invoice.

Anticipation. Buyers with plenty of ready cash sometimes pay a bill before the date set for earning the cash discount. They deduct interest, usually at the rate of 6 per cent a year, for the number of days of prepayment. This practice is called *anticipation*. For example, goods billed at \$100 may be shipped on March 1 with terms of 3/10 E.O.M. The discount of 3 per cent may be deducted if pay-

ment is made by April 10. The buyer, however, may decide to pay the bill on March 10, one month before the discounted amount is due. Figuring interest at the rate of 6 per cent for 12 months, the rate for one month is $\frac{1}{2}$ of 1 per cent. The buyer is entitled to an extra $\frac{1}{2}$ of 1 per cent of \$100, or 50 cents, for paying one month ahead of time. Thus he pays \$96.50, deducting a total of $3\frac{1}{2}$ per cent.

Some manufacturers insist that anticipation be figured on the net amount, that is, the amount after the cash discount has been deducted. Thus in the above example 3 per cent of \$100 would be deducted first, leaving \$97. Next $\frac{1}{2}$ of 1 per cent of \$97 would be deducted, leaving \$96.515.

Practice in regard to anticipation differs with different companies and trades. Although some manufacturers will not allow such extra deductions to be made, most of them do not object, provided the customary 6 per cent per annum is not exceeded.

Memorandum Terms. Vendors often sell goods with a return privilege. Thus in the case of goods shipped June 5 "on memorandum until July 15," any unsold goods may be returned to the seller at the latter time. This is equivalent to a price concession in that the buyer assumes no risk of loss on the goods that do not sell at a profit. Expensive jewelry is frequently bought "on memo."

Although buyers frequently seek memorandum terms, they are not always desirable. The goods offered "on memorandum" are often out of style or of poor quality. Even if they are satisfactory, they can often be obtained at a lower price if they are bought outright in the usual way.

Consignment Terms. Merchandise is sometimes sold on consignment. This means that it does not become the buyer's property when it is shipped to him. It remains the property of the seller, but the retailer assumes the responsibility of protecting it physically and of trying to sell it at the retail price set by the seller. Unsold goods, like memorandum goods, are returnable. Some manufacturers prefer to sell this way so they can set the retail price.

Standard Credit Terms. Every manufacturer has his own established credit terms, but the terms are standard in many industries. Thus the typical terms for ready-to-wear dresses are 8/10 E.O.M. and for candy they are 2/10, net 30. Buyers generally accept the manufacturer's terms without question, but sometimes they ask for a larger discount or for longer dating. They are probably less successful in securing such concessions than they formerly were because manufacturers are organized and have learned from experience that to change terms for one customer opens the door to further and further concessions that eventually absorb the manufacturer's legitimate profit.

Shipping Terms

After the credit terms are understood and agreed upon, there is still the matter of deciding upon shipping arrangements. There are two points to be determined:

- (1) Who is to pay for the cost of transportation?
- (2) Who is to own the goods and to be responsible for them while they are on their way?

F.O.B. Point. The F.O.B. (free on board) arrangement answers the two questions. If the buyer is to pay all transportation and is to own the goods from the moment they are shipped, the shipping terms are *F.O.B. factory* (or mill). At the other extreme, if the seller is to pay all transportation and is to own the goods until they arrive at the store, the terms are *F.O.B. destination*. In between are many variations. For example, *F.O.B. shipping point* means that the seller pays any cartage necessary to the place at which the goods are to be turned over to a transportation company. *F.O.B. destination charges reversed* means that the seller will own the goods until they get to the store but that the buyer agrees to pay the transportation charges. Conversely, *F.O.B. factory, freight prepaid* means that the goods are to become the buyer's as soon as they are shipped but that the seller will pay freight.

KINDS OF DATING AND TERMS

1. C.O.D.—Cash on delivery.
2. Regular—2/10 N. 30—Two per cent may be deducted if bill is paid within 10 days from date of invoice. The full amount must be paid 30 days after invoice date.
3. E.O.M.—2/10 N. 30—Two per cent may be deducted if bill is paid by the 10th of the month following the month in which the bill is dated. Net amount payable on the 30th of the following month.
4. R.O.G.—2/10 N. 30-R.O.G.—Two per cent may be deducted if bill is paid within 10 days after the goods have been received.
5. Extra and post dating—2/10 N. 30-90X—Add 10 days to the extra 90 days to find discount date, which is 100 days after date of invoice. Net date is 20 days after discount date.
6. Memorandum (memo) terms—Buyers have the privilege of returning unsold goods up to a specified date. Buyers take title to the goods.
7. Consignment terms—Buyer does not own goods under these terms. He has the privilege of returning unsold goods.
8. F.O.B. (free on board)—Point to which transportation is paid by seller, and at which point title passes to the buyer.

As in the case of credit terms, F.O.B. terms have become standardized in different trades and the buyer generally accepts the terms offered. A manufacturer or a wholesaler may, however, make a concession on shipping terms instead of giving a quantity or a seasonal discount. Even if the seller is unwilling to pay transportation charges, he may be willing to have ownership pass to the buyer at the time of receipt rather than at the time of shipment. Such terms as *F.O.B. destination, charges reversed* may bring an important advantage to the buyer: if the goods are delayed or lost on the way, the buyer is not responsible for payment or follow-up, since the goods are not his and he has not received them.

Method of Shipment. In addition to the F.O.B. point, a decision has to be made in regard to the method of shipment. The main methods are by freight, railway express, truck express, parcel post, and air cargo. If the buyer is to pay the transportation charges, he is at liberty to choose the method. Two factors have to be considered: time and cost. When a buyer can estimate his needs well in advance, the slower but less expensive freight shipments are chosen. If goods are needed quickly, express or parcel post is generally used, but the parcel-post rates should be carefully compared with express rates.

Substantial savings may be realized on small shipments by having manufacturers deliver goods to a packing company that consolidates many small shipments into one large one. There are many such companies in our large cities. Suppose, for example, that packages to be shipped to a store from 20 different manufacturers averaged 11 pounds each. If each package were shipped direct to the store, the transportation charges would total \$13.03; but if they are sent to a packing company, the small packages may be consolidated into one larger one and sent at a 100-pound express rate for \$6.89. To this is added the packing company's fee of 10 cents a package, or \$2. The total saving to the store is thus \$4.14.

Route of Shipment. Stores sometimes designate not only the general method of shipment but the specific route as well. The service of one railroad may have been found superior to that of another. Slower freight shipment by boat may be justified by the saving in cost. Combination boat and railroad routing is used by some stores on the Pacific coast when they buy in New York.

A few larger stores go even further and specify the ways the goods must be packed for shipment. They have determined methods of cutting down the weight of packing materials, of eliminating bulk, and of minimizing risk of damage in transit.

Traffic Manager. The buyer for a small store is somewhat handicapped in the matter of transportation rates,

since he lacks the time to make himself an expert in these problems. The larger store can afford a traffic manager, one of whose duties it is to advise buyers as to what shipping and packing instructions to include with an order. The small merchant often avoids the problem by buying largely from local wholesalers who may deliver by their own trucks at no extra charge. When the retailer buys in a central market, he should seek the services of a packing company that will not only consolidate his shipments but advise him on transportation problems as well.

METHODS OF SHIPPING

1. By Air
 - a. Air mail
 - b. Air express
 - c. Air cargo
2. By Rail
 - a. Parcel post
 - b. Railway express
 - c. Freight
3. By Truck
 - a. Transcontinental
 - b. Local
4. By Water
 - a. Coastal steamer
 - b. River barge

Special Buying Arrangements

Advertising Allowances. Adjustments in price to the buyer are not always in the form of a discount, or of a reduction in the billed cost, or of shipping terms. They may involve (1) an allowance for some service to be performed by the buyer, or (2) the performance of some service by the seller. These arrangements are lawful, provided they are furnished on proportionally equal terms to all competing buyers. The best example of the former is the advertising allowance. The seller agrees to pay part or

all of the cost incurred by the retailer in advertising the product to the consumer. The justification for doing this lies in the fact that the manufacturer may obtain extra business as a result of the advertising efforts of the retailer.

If the manufacturer agrees to pay a specified sum toward the retailer's advertising, it is customary for him to deduct this amount on the invoice as follows:

1,000 style #76 @ \$1	\$1,000
Less advertising allowance	25
Amount due	\$ 975

If the seller does not agree to a fixed sum but does agree to pay a stated proportion of the retailer's advertising expense, the allowance does not appear on the invoice for the merchandise. When the advertisement is run, the store bills the manufacturer for his share.

Advertising allowances have been abused by some buyers who have failed to spend for advertising the allowance obtained. In some instances an advertising allowance has become merely a disguised price concession, similar to the quantity discount.

Demonstrators. The best example of the performance of a service by the seller is the provision of demonstrators. In many cosmetic and home-furnishing lines the manufacturer provides demonstrators at his own expense to work in the stores handling his line. These people are generally salespeople who concentrate on the sale of the manufacturer's product, although they may be allowed to sell other goods also. They are often specially trained by the manufacturer before they are assigned to stores.

Most stores are glad to use demonstrators because they reduce selling expenses and provide expert service. They have their disadvantages, however, for they tend to push their sponsor's brand rather than to help the customer to obtain the most appropriate choice from among competing brands. Moreover they are sometimes hard to manage, for they feel that they are not regular store employees and are not subject to store rules.

INFORMATION CONTAINED IN AN ORDER

1. Name and address of both buyer and seller.
2. Department, if any, for which goods are being purchased.
3. Date of order.
4. Quantity.
5. Description of the goods.
6. Unit cost.
7. Extension.
8. Total cost of order.
9. Credit terms.
10. Discounts.
11. Transportation information.
12. Delivery date.
13. Signatures.
14. Special terms and agreements.

AN ORDER WHEN ACCEPTED BY THE SELLER
IS A LEGAL CONTRACT

Placing the Order

After a retailer has decided what styles he wants to purchase, where he wants to purchase them, what price he is to pay, and what credit and shipping terms he is to receive, he is ready to write out an order for the goods. He may use a blank form provided by the manufacturer or he may use his own store's printed form. The latter is always to be preferred, since the retailer is familiar with it and by using it will be sure that every necessary detail is included. Large stores insist that their buyers use their own order forms because each buyer can then be held responsible for all forms issued to him and an accurate record of all orders placed by each buyer can be kept.

Writing Orders. Buyers should write out their own orders even though the manufacturer's salesman may be glad to do it for them. A manufacturer's salesman may omit one of the essentials, or may record a delivery date, style number, price, or quantity that is different from what the buyer intended. Writing the order also gives the buyer an additional opportunity to reconsider his order.

Accuracy in the written order is very important, for oral agreements have no legal significance unless they are included in the written order.

WHY BUYERS SHOULD WRITE THEIR OWN ORDERS

A manufacturer's salesman may omit one of the essentials.

A manufacturer's salesman may record a delivery date, style number, price, or quantity that is different from what the buyer intended.

Writing the order gives the buyer an additional opportunity to reconsider his order.

Order Copies. Every order should be made out in duplicate, the original copy for the seller and the duplicate for the buyer. In large stores four copies are often required so that different offices of the store may have a record of all orders placed.

One of the store copies should be used to determine the total amount of orders that have been placed for delivery each month. Totals of items that have been ordered are necessary to determine how much more may be ordered without exceeding planned purchases.

The same or another copy of the order should be used for a follow-up. This means that manufacturers should be checked a few days before the delivery date of each order to be sure that they will ship the goods on time. Stores have to follow up orders continually in order to get goods

when needed. If they do not do so, there may be delays in shipments that may lead to lost sales and to the receipt of goods after the seasonal demands for certain styles have passed.

VOCABULARY

Study the following words. Try to make them a part of your vocabulary.

Advertising allowance—A payment made to the buyer by the seller to help the buyer advertise the seller's goods.

Anticipation—The practice of paying bills before discount due dates in order to gain interest, commonly figured at $\frac{1}{2}$ per cent for every 30 days prepayment.

Bargaining—A method of coming to agreement on prices or terms of a contract whereby certain concessions are made by one or both parties to the transaction.

Chain or series discounts—A trade discount of more than one percentage to be taken from list or selling price. The sum of the series of discounts cannot be deducted in one operation, but each per cent must be deducted individually from the previous balance.

Demonstrator—A salesperson who is trained and paid by a manufacturer to sell his product in a retail store.

Job lot—An assortment of goods which has remained unsold at regular prices. It may contain broken sizes, odd colors, different qualities, and some soiled or damaged goods. The seller usually accepts a flat sum for the whole lot.

QUESTIONS ON THE CHAPTER

1. a. Why should the retail merchant shop around and learn the price quotations of the leading sellers in his line?
b. What does the merchant ordinarily do when a competitor of one of his key resources offers better values than the key resource itself?
2. a. What is meant by *bargaining*?
b. What advantage comes from a group of stores banding together and placing group orders?
c. What is a job lot?
3. Which is more important—to buy the right goods or to save a few cents on the purchase price?
4. a. What is a discount?
b. What is a quantity discount?
c. What is a seasonal discount?
5. What is a cash discount?

6. Before a merchant buys in large quantities in order to secure a quantity discount, what five questions should he ask himself?
7. *a.* What is a trade discount?
b. Which are generally granted the larger trade discounts—wholesalers or retailers?
8. When there is a series of trade discounts, how is the second discount computed?
9. For what purpose does a manufacturer often use a trade discount?
10. *a.* What is meant by the term *dating* when used with reference to credit terms?
b. What is the most common dating?
c. What is meant by *E.O.M.*?
d. What is meant by *R.O.G.*?
11. *a.* What is extra dating? Give an example.
b. What is postdating? Give an example.
12. What is the common practice with regard to the time allowed for the payment of a bill if the purchaser is to obtain a cash discount?
13. What is the meaning of the term *anticipation*? Give an example.
14. *a.* What is the meaning of "on memorandum until July 15"?
b. What is meant by "selling on consignment"?
15. *a.* What is meant by *F.O.B.*?
b. What is meant by *F.O.B. factory*?
c. What is meant by *F.O.B. destination*?
d. What is meant by *F.O.B. shipping point*?
e. What is meant by *F.O.B. destination, charges reversed*?
16. *a.* What are the five main methods of shipping goods?
b. Who decides the method of shipment if the buyer is to pay the transportation charges?
17. How may a saving be made by having several manufacturers deliver small shipments to a packing company instead of sending them separately to the merchant? Give an example.
18. *a.* When is a merchant justified in having his shipments made by boat?
b. What is a traffic manager?
19. *a.* What is an advertising allowance?
b. How is a manufacturer justified in making an advertising allowance?
20. *a.* What is a demonstrator?
b. What are two lines in which manufacturers provide demonstrators?

PROBLEMS FOR DISCUSSION

1. Would it be desirable if all manufacturers and wholesalers had one-price policies and refused to bargain and make concessions? Why or why not?
2. Under what conditions, if any, is it wise for a customer to try to bargain in a retail store?
3. Is the granting of quantity discounts to large stores fair to small stores? Why or why not?
4. Are wholesalers entitled to larger trade discounts than those granted retail stores that buy in equal quantities? Why or why not?
5. What regulations should a manufacturer set in regard to advertising allowances so as to be sure the privilege is not misused?
6. What are the advantages and the disadvantages to customers of the use of manufacturers' demonstrators by stores?
7. Is the cash discount device a reward for prompt payment or a penalty for late payment? Explain.
8. Is it worth while for the small store to attempt to *anticipate* its bills? Prove your statement.
9. What justification may there be for asking a manufacturer to pay transportation to the stores?
10. What ways are there for a store to reduce transportation costs without shifting the cost to the seller?

THINGS TO BE DONE

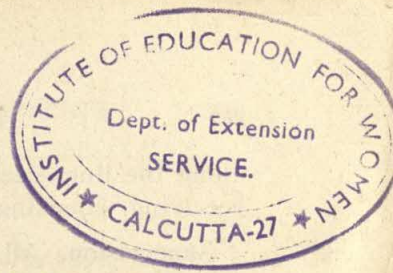
1. Assume that you are a manufacturer. Draw up a notice that you might distribute to the trade (retailers and wholesalers) showing your credit and shipping terms; any trade, quantity, and seasonal discounts you would allow; and any other concessions you think wise to offer. Set terms upon a basis of what you think would be reasonable to stimulate business.
2. The list price of merchandise is \$750. The trade discount is "less 40, 10, 5."
 - a. Find the net price.
 - b. What is one discount that would be equal to this series of discounts?
3. A store has been buying hammers at a list price of \$1.50 each with a trade discount of 30 per cent. The seller notifies the store that an additional trade discount of 10 per cent will be granted since costs have fallen. How much is the net price of hammers reduced?

4. A manufacturer sells 50 refrigerators at \$100 each, granting a quantity discount of 5 per cent and an advertising allowance of \$3 per refrigerator. How much will the store have to pay?
5. On April 2 a store buys goods with terms of 2/10, net 60.
 - a. When must the bill be paid to earn the cash discount?
 - b. What is the final date on which the billed amount is due?
6. On May 15 a store buys goods with terms of 3/10 E.O.M., net 30.
 - a. When must the bill be paid to earn the discount?
 - b. What is the final date on which the billed amount is due?
7. On June 12 a store buys goods with terms of 2/10 R.O.G., net 30. They are delivered June 16.
 - a. When must the bill be paid to earn the discount?
 - b. What is the final date on which the billed amount is due?
8. On July 5 a store buys goods with terms of 1/10, 60 days extra, net 90.
 - a. When must the bill be paid to earn the discount?
 - b. What is the final date on which the billed amount is due?
9. On August 1 a store buys goods on terms of 3/10, net 30, postdated 3 months.
 - a. When must the bill be paid to earn the discount?
 - b. What is the final date on which the billed amount is due?
10. A store buys on memorandum 1,000 items at 50 cents each net, returnable at the end of 30 days. At the end of this period, 200 are returned to the seller and a check is sent him at that time. What is the amount of the payment?
11. On May 5 goods are shipped bearing terms 3/10 E.O.M. They are received on May 7 and paid for on May 11. If the billed amount is \$700, how much should be paid? (Allow for anticipation at the rate of 6 per cent a year.)
12. On September 6 goods are shipped bearing terms of 2/10, 60 days extra. They are paid for on September 16. If the billed amount is \$150, how much should be paid? (Allow for anticipation at the rate of 6 per cent a year.)
13. A shipment of \$500 worth of goods is ordered F.O.B. destination with terms of 2/10, net 30. The goods are shipped collect on June 1, and express charges of \$5 are paid by the store. If the merchandise is paid for on June 11, how much should be paid?
14. A store orders a bill of goods with a total list price of \$2,000 and a trade discount of 35 per cent, a quantity discount of 5 per cent, and terms of 2/10 E.O.M. The goods are shipped on April 6. How much should be remitted to the vendor if the invoice is paid on April 16?

15. As a member of a committee from your class you will obtain the following information from some buyer or merchant:
- a. What datings, discounts, and shipping terms are general for his line? What exceptions are there?
 - b. Does he receive any advertising allowances or demonstrator service?
 - c. Does he have much opportunity to bargain for better prices or terms? Under what conditions?
- Be prepared to report your findings to the class.

WHAT WOULD YOU DO IN THIS CASE?

While you are looking over a manufacturer's line ranging in price from \$12 to \$15, he shows you a "job lot" of thirty dresses for the flat sum of \$250. The lot contains about 8 dresses from the \$15 line, and the rest from the \$12 line. Two or three are so damaged that they cannot be sold at all, and five or six are in such conditions as to be worth not more than \$5 each at retail, and the rest have a reasonable chance of being sold at a little under your regular price of \$19.95. Would you buy the lot? Why?



CHAPTER XII

PREPARING THE GOODS FOR SELLING

Receiving Incoming Goods

A traveling salesman for a large hardware house entered the Larkin Hardware Store. He had to walk very carefully so as not to step on merchandise, packages, excelsior, and wrappings that littered the floor. Two salesclerks were busily engaged in unpacking a shipment of goods that had just been received. Mr. Larkin came from the rear of the store with some papers in his hands. He seemed angry.

"Where is that shipment of cutlery from the Ajax Cutlery Company?"

"John opened that shipment," said one of the clerks.

"No," said John, "I opened a shipment of cutlery from the Brown Cutlery Company, and that was the day before yesterday."

Mr. Larkin turned to the salesman. "I can't understand it," he said. "These boys can never remember what goods came in. If they need something for sale, they open packages before the invoice arrives and they don't keep an accurate count to compare with the bill later. And they certainly litter up the store. Last year, when my business was smaller, I did the receiving myself and didn't have much trouble. But I certainly need a system now. How do other stores you visit handle this problem?"

"In Blenels," said the salesman, "all goods are received in a special place, and it is against the rules to receive anything on the selling floor." The salesman went on to point out that Mr. Larkin was having trouble with the receiving of goods because he was expanding his store. A small store receives only a few shipments a day and when the owner checks the goods personally, he has little trouble. But as the store grows, receiving becomes a major problem. From the conversation that ensued, a system

along the lines described below was set up to take care of receiving, checking, marking, and distributing the goods.

Supervision. All the activities involved in getting incoming goods ready for sale should be placed in the hands of one responsible employee of the store. He should have charge of the goods from the time they are shipped by the vendor until they are placed in reserve or forward stock. In a large store this man is the receiving manager and is usually under the direction of the store manager, but in some stores he reports to the controller. He may have a number of assistants to carry out the various functions involved. Boys who have finished high school often qualify as receiving clerks or checkers, and girls who have graduated from high school are employed as markers. These are excellent beginning jobs for young people, as they offer a good opportunity to learn merchandise and sources of supply.

The Receiving Point. In order to keep the selling floor clear, the store should have definite places where all merchandise is received, unpacked, checked, marked, and distributed. In large stores the receiving point is a platform built as high as the tailboards of trucks; it is built in this way so as to facilitate the receiving process and to prevent damage to merchandise from dropping it. These receiving platforms are equipped with bright lights, elevators, booths, scales, and hand trucks. They have quick and easy access to the space where the goods are to be checked and marked. In small stores, merchandise is sometimes first received directly on the front sidewalk, along the side, or at the rear of the store. The merchandise is then sent to the receiving room by means of an elevator or by a chute if the receiving room is not on the street level.

The Receipt. When goods arrive at the receiving point (whether by express, truck, parcel post, or messenger), a clerk should first examine the unopened boxes, packages, and barrels very carefully. He should count them, inspect the condition of each package, and make a note of the number and the condition of the packages on the delivery-

THE FLOW OF GOODS

1. Purchase order is placed with the vendor by buyer and a duplicate purchase order is sent to office.
2. Order is acknowledged by vendor. (optional)
3. Goods arrive.
 - a. Delivery receipt is signed.
 - b. Shipment is entered into receiving record.
4. Goods are unpacked.
5. Goods are checked
 - a. For quantity by direct or blind check.
 - b. For quality by buyer or assistant.
6. Goods are marked. Tags or tickets are printed from invoices on which the retail prices have been entered by the buyer.
7. Goods are stored in forward or reserve stock.
8. Goods are displayed.
9. Goods are sold.
10. Goods are delivered to customer.

man's receipt or book. If the transportation charges have not been prepaid, they are paid by means of a voucher given to the deliveryman that can be cashed at the office, or they are noted for future payment.

The receiving manager, or in large stores the traffic manager, should check and audit transportation bills and make claims against transportation companies for overcharges on incoming collect shipments.

The First Record of Goods Received. A record of the number of packages received, the date, the vendor's name, the method of shipment, the charges for transportation, and other facts about the receipt of the goods are entered in a receiving book or receiving record. This first record of an incoming shipment is very valuable. If kept accurately, it is useful in determining whether goods have been received or not. It also serves as a check against the payment of invoices for which no merchandise has actually been received.



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A RECEIVING ROOM WITH STATIONARY TABLES

Goods are unpacked, checked, and marked on these tables.

Checking the Goods

Layout. The receiving room of a store is not the point at which the goods are actually received but rather the place in which they are opened, checked, and marked.

The usual plan is to have a large room with stationary tables, space on which is assigned to the different kinds of goods carried. Goods are laid out on the tables, counted, and then marked with price tickets.

Some large stores have a portable layout and use two rooms, one for checking and one for marking. Tables with wheels are first stationed in the checking section. After the goods are counted, they are left on the tables, which are wheeled to the marking room. After the price labels are attached, they are wheeled either to the stock room or to the selling floor.

Both layouts have their advantages. Stationary tables require less space. Portable tables eliminate placing goods on trucks after they are marked in order to move them where they are needed. Marking is also done in a space free from the litter and the dust of the checking room. On the other hand, it is hard to avoid a bunching of tables.

The newest layout, one that seems destined to become standard for large stores, involves moving the goods along

mechanical conveyors, similar to the assembly line in a factory. The packages are conveyed from the receiving point to the checking section, where the goods are unpacked and placed in large wooden trays, called "tote boxes," standing on a roller conveyor. They are checked here and then moved along the conveyor to a separate marking section. Switches off the main track make it possible to move the goods to any desired point in the marking section. The tracks also carry the goods to storage.

The Quantity Check. Every shipment should be opened carefully so that the contents will not be damaged. The merchandise should be laid on the checking table or tray in a systematic manner. All similar merchandise should be placed together in accordance with some such classification as size, color, or brand. This will help in the counting of the merchandise. The wrappings, boxes, paper, and twine can be saved for future use or for sale. The merchandise should never be dumped out with the wrappings because damage, shortage, and confusion will result.

A RECEIVING ROOM WITH PORTABLE TABLES

After goods have been checked on these tables, they are wheeled to another room for marking.

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With the neat stacks of merchandise before him, the checker is ready to count the *quantities* received. He may check the quantities against the invoice that was sent by the vendor of the goods or against a copy of the order. Checking goods against the invoice is more common than checking them against a copy of the order. But the use of the order copy makes it possible to check merchandise as soon as it is received, even though the invoice has not yet arrived. Checking goods against the invoice or the order copy is called the *direct check*. When this method is used, the checker counts the quantity of each item received and then looks at the invoice or order to see if the amounts agree. If they do, the checker places a small check mark alongside the item on the invoice or order.

If all the quantities, colors, sizes, and items are correct, the invoice or order is signed by the checker on the back, or the signature is placed on a slip of paper, known as an *apron*, that is pasted to the invoice. If the invoice is used, it is then passed on to the buyer.

The direct-check method is quick and inexpensive, but it is not always so accurate as it should be. After checking a great number of shipments and finding them to be correct, the checker may come to believe that the goods received will always agree with the vendor's count or the order quantity, and he may therefore check the items without counting them carefully. To avoid this difficulty the method known as the *blind check* is sometimes used. With this plan neither the invoice nor order is given to the checker but the checker is required to prepare a list of the contents of a shipment to be checked against the original invoice. In some large stores the checker is provided with a copy of the invoice that is complete except for the quantities. It is then necessary for him to record only the quantities after his count is completed.

The blind-check method requires more clerical work because an extra copy of the invoice has to be prepared, and the copy and the original have to be checked against each other. The extra work, however, is often thought to be desirable because the blind check insures careful counting.

WHAT A CHECKER MAY FIND WRONG IN A SHIPMENT

1. **Breakage**—Fragile merchandise incorrectly wrapped may be found to be broken upon opening the container.
2. **Damage**—Rough handling in transportation may cause damage to contents.
3. **Shortage**—Invoice or packing slip may call for a larger number than that received.
4. **Overage**—Invoice or packing slip may call for a smaller number than that received.
5. **Substitution**—Invoice or packing slip may call for a different style number, color, material, or size, than that received.

It also provides an excellent invoice control because the original invoices are not scattered about the receiving room but are all kept in the office. This method is particularly useful for expensive items where a small error in checking would involve the loss of a large sum.

It is at this point of the receiving process that breakage, damage, shortage, overage, and substitution are discovered and adjusted. The checker must be alert to discover any irregularity in the shipment. If an irregularity is found, it should be reported on a discrepancy report. This report is used as a basis for a claim against the shipper or the transportation company.

The Dummy Invoice. If the invoice does not arrive with the goods or by mail before the shipment is received, there is a question of whether the whole shipment should remain unopened until the invoice has been received. The order for the merchandise was placed because the store needed the goods. If the merchandise is kept in the receiving room until the invoice arrives, sales may be lost; the receiving room may become crowded with unopened merchandise; and if the merchandise is perishable, the store may suffer a loss. To overcome this difficulty, a combination method of the direct and the blind check is sometimes

used. All shipments are opened at once and are checked against the invoice if it has arrived. If there is no invoice, the checker makes a memorandum from an actual merchandise count of what has been received. The memorandum of what the shipment contains is called a *dummy invoice*. This record takes the place of a regular invoice and is held in the office until the regular invoice arrives. By this means goods are cleared through the receiving room and arrive on the sales floor quickly.

The Quality Check. The person who checks the goods to make sure that they correspond in *quality* to what was ordered should be the one who ordered them or his trained assistant. Some goods, such as shaving creams, tooth pastes, canned goods, and other branded and packaged goods, need not be checked for quality; but in the case of new styles of shopping goods, this inspection is necessary. It is the duty of the examiner to see not only that the styles are those selected, but also that certain store standards are maintained. In one large department store silk stockings are inspected by experienced clerks who remove the stockings from the boxes, pass them over a glass under

THE QUALITY CHECK

After merchandise checkers have compared goods with the invoice for quantity, the buyer inspects the goods to be sure that they are as ordered.

Good Housekeeping



which a light is focused to detect possible runs or pulls, and then put the stockings back in the boxes. This reduces customers' returns of goods not up to standard. In another store a fabric examiner inspects all textile materials for quality and correctness of description. Material, workmanship, and sizes should be carefully examined before the goods go through the next step in the receiving process.

Marking

Price Tickets. The job of putting price tickets, price labels, or price tags on merchandise should not be confused with pricing the merchandise. The former is merely a physical process and can be handled by junior workers, who are called *markers*, or by salespeople. Determining what retail price goods should carry involves a complex thought process based on many factors. How the retail price is determined is explained in a later chapter.

While the buyer is in the receiving room inspecting the merchandise for quality, he puts the retail price of the goods on the invoice. If the goods do not need to be inspected for quality, the retail price may be placed on the duplicate of the purchase order by the buyer even before the goods are received. Placing a retail price on the purchase order is called *preretailing*. Preretailing saves time and speeds merchandise through the receiving process, as goods may be marked from the copy of the purchase order without the assistance of the buyer.

In a small store marking the goods is a very simple process. The price is often written on or attached to a sample of the merchandise, or the merchandise is placed on a shelf or in a bin that has the price prominently displayed. Not every piece of merchandise needs to be marked, even in larger stores. For small, low-priced, fast-selling staples such as are sold on variety-store counters and for packaged drugs and canned goods, price marking of individual items has been eliminated; instead, the goods are sold from containers, bins, shelves, or trays that are marked with the price of the contents. This marking practice for staples saves time and money.



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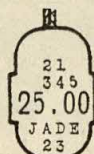
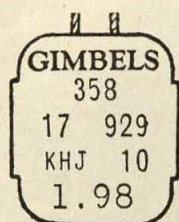
MARKING MERCHANDISE

These women are operating electrically driven marking machines that both print and attach price tickets.

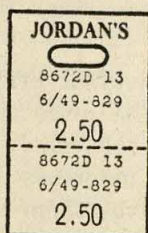
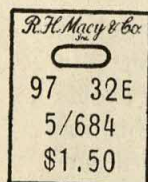
Advantages of Price Tickets. Individual price tickets should be placed on most articles. The price ticket is a direct aid to selling. It acts as a silent salesman and avoids the possibility of misquoting prices. Customers like to see a price tag attached to articles. It gives them the assurance that the price is the same to all and that they are paying a price determined by the owner or by an executive.

Kinds of Price Tickets. Many kinds of price tickets or tags are used for marking merchandise. Gummed labels and pin tickets are in favor because they are the cheapest and the quickest forms of marking. Whether to use a tag, a label, or a pin ticket depends upon the kind of merchandise to be marked. Tags are placed on apparel; merchandise with a hard surface, carried in boxes, or made of glass is usually marked with a gummed label; and pin tickets are used on merchandise that pinholes will not damage.

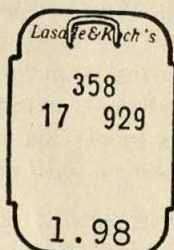
Cost Codes. If the store counts its stock at inventory time at cost rather than at retail price, it is necessary to show the cost of the article on the price tag. This cost price is nearly always indicated in code because the average customer does not realize the retailer's heavy expenses



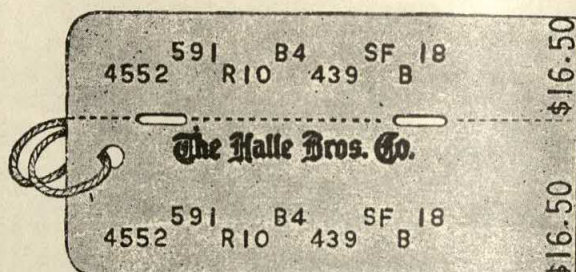
String Tickets



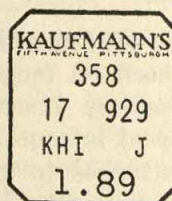
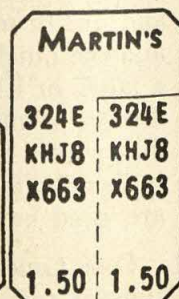
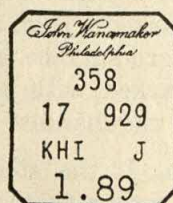
Clip Tickets



Pin Tickets—machine-attached



Ready-to-Wear Tag

Sew Tickets—attached
by sewing machine

Pin Tickets—hand-attached

TYPICAL PRICE TICKETS

of operation and would see only a large difference between the cost and the selling price, which he would consider the retailer's profit. Some retailers use a word or phrase of ten letters, each of which represents a consecutive digit. For example:

M	A	K	E	P	R	O	F	I	T
1	2	3	4	5	6	7	8	9	0

An article that costs \$19.50 would be written MIPT. Other examples of word or phrase codes are: MONEY TALKS and REPUBLICAN. Another type of code is composed of symbols, one for each digit. Here is one:

1	2	3	X = 0
4	5	6	
7	8	9	

The price \$19.50 is written $\perp \sqcap \square \times$. Still another method of coding is to add, subtract, multiply, or divide the cost digits. For example, the figure 3 may be placed in front of the cost price of \$19.50 and 3 added to each digit, dropping the tens; the code would then appear as 34283. If the prefix 6 is used, the same cost would appear as 67516. Another simple plan for coding is to place two meaningless figures in front of and another figure after the cost, omitting the decimal; \$19.50 would thus be written 3619507.

Other Information on Price Tickets. In addition to the cost and the retail price, stores often add a season letter or the date when the merchandise was received into stock. This is helpful in spotting slow sellers.

A common plan is to designate a six-month season by a letter and the month in the season by a number. Thus A may represent the spring season (February through July, 1950); A 3 then would represent April. An even simpler plan is to designate the exact day of receipt by putting a meaningless figure in front of the date. For example, instead of writing February 5, 1950, as 2-5-50, it may be written 62550. It then looks like a serial number.

Many stores also include a number that identifies the manufacturer from whom the goods were bought and a letter indicating the material. Of course if the merchandise comes in various sizes, the tag may carry this information too. A price tag showing all the information one store finds necessary for dresses is shown on page 262.

Hand and Machine Marking. An old practice, still in general use in small stores, is to write out all price tickets by hand. This is usually done with ink, pencil, or crayon. The practice often results in untidy price tickets and makes price changing easy. Even a small store can use a rubber stamp to mark prices on merchandise. This method of marking produces a neater, more legible price ticket and is inexpensive. Some exclusive shops, however, which handle one-of-a-kind merchandise, adhere to the old hand-written tickets to avoid the impression that they have a number of articles alike.

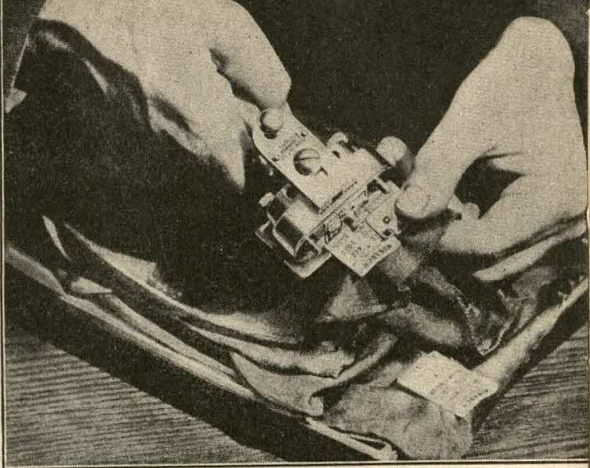
Many stores use a machine in price marking. After the buyer marks the retail prices on the invoice, the exact number of tickets called for at each price is made on a machine. Machine marking thus aids in quantity control, as the marker cannot be one tag short or one tag over. The information on the tag is the same for the entire quantity that is printed at one time. No item is forgotten and every line on the price tag is legible. There are machines available that not only print the price on tickets but also count the tickets as they are attached to the merchandise by the machine.

Re-Marking

All goods are not sold at the original price at which they were marked. Goods depreciate, mistakes are made in buying, goods go out of fashion, and it becomes necessary to mark them down. Occasionally goods go up in value while in stock and have to be marked up to a higher price than originally set. Re-marking may be done by making out a new ticket, or the price may be changed on the old one. In order to get an accurate inventory, careful records of the price changes should be kept. Large stores have

A REMARKABLE MACHINE

This machine can be used on the selling floor to reprice merchandise. It prints the new price on the former price ticket, removes the old price, and records the price change, all in one operation.



realized the importance of price re-marking and have established elaborate control systems for this phase of retailing.

Storing and Distributing

After the merchandise has been marked, it is ready for removal from the receiving room. In many stores it goes directly to the selling floor and is put on display. Where hand-to-mouth buying is practiced—that is, where goods are ordered in small quantities for immediate needs—there is no need for a reserve stock room. If, however, more merchandise is bought than is needed in forward stock—that is, for immediate sale on the selling floor—a reserve stock room should be provided. This reserve stock room should be divided into sections and should be located in one of the less desirable sections of the store. From this reserve stock room goods may be taken as needed. A record of the goods removed is usually kept.

How Goods Are Arranged in Stock

After goods get to the selling floor, whether directly from the marking room or from the reserve stock room, they must be carefully arranged in stock. Proper arrangement accomplishes three things: (1) it aids in the sale of the goods; (2) it allows the salesperson to learn the location of stock and to obtain required goods quickly; and (3) it facilitates the control of stock. The following principles should be followed in so far as they apply to the particular goods.

Principles of Stock Arrangement

- I. From the sales-promotion viewpoint.
 1. All items that an individual customer may want to inspect when making a selection should be close together.
 2. Goods should be placed where they can be seen by the customer and generally where they can be handled.
 3. The degree to which the merchandise requires bright light or daylight for careful inspection should be considered in the arrangement.
 4. Items should be arranged to give the department an attractive appearance.
 5. Profitable goods, those on which the markup is high, should generally be displayed in a conspicuous place.
 6. Fast-selling goods, in continued demand and not bought on impulse, should be so placed as to draw customers' attention to other merchandise.
 7. Impulse goods should be placed along the main lines of traffic.
 8. The stock arrangement of the fashion items should be shifted from time to time so that the department may give new interest to old customers.
- II. From the salesperson's standpoint.
 1. The arrangement should be logical and simple so that a new clerk may learn it in a minimum of time.
 2. The goods should be arranged to make them convenient to handle.
 3. Stock should be so arranged that it may be kept in order.
- III. From the merchandise-control viewpoint.
 1. Stock should be so arranged that needed goods can be easily replenished and counted.
 - a. Visible dividers should be used where possible.
 - b. Dark bins and corners where goods may be overlooked should be avoided.
 2. The amount of space devoted to each item should be in proportion to its rate of sale.
 3. The arrangement should be flexible enough to allow:
 - a. The introduction of new style numbers easily.
 - b. The allotting of more space to an item whose rate of sale is increasing or less space to one whose rate is decreasing.
 - c. The physical expansion or contraction of the entire stock in peak and dull seasons respectively.
 4. If space is limited in forward stock, adequate stocks of the fast-selling goods should be maintained on the floor, the slower-selling items being relegated to the reserve.

INVOICE CONTROL

1. Invoice is received from vendor and registered.
2. Invoice is checked against duplicate purchase order for terms, quantities, and totals.
3. Invoice is checked against receiving record.
4. Invoice is checked against goods or against blind-check form.
5. Invoice is marked with retail prices by the buyer and approved for payment.
6. Invoice is used by markers to prepare price tickets.
7. Invoice is sent to office for payment.

on it and the marker makes out the number of price tickets needed. The buyer then O. K.'s the invoice for payment and sends it back to the office. In other stores, a copy of the order, rather than the invoice, is sent to the checker and marker. The retail prices are usually written on this order copy by the buyer at the time the goods are ordered. As a result, there is no delay in the receiving room.

Because the invoice often has to move through a number of steps and get back to the office in time to take advantage of the cash discounts, a careful control system for the invoice is desirable. The register provides a record that the invoice was received; a notation on the duplicate purchase order shows that it has passed the order clerk; an entry on the receiving sheet shows that it has arrived in the receiving room and is approved for payment; and a second entry on the original register shows that it has reached the office and that arrangements to pay it have been made. Thus it is easy to determine how far a missing or a delayed invoice has progressed.

There is an additional record of progress on the invoice itself or on the apron pasted to it. Each person who handles the bill is required to initial it. In this manner the office knows whether or not a returned invoice has passed through every step: order clerk, checker, buyer, marker, and receiving manager.

Returns to Vendors

If for any reason goods must be returned to the manufacturer or the wholesaler, the receiving department is asked to handle the goods. Outgoing goods are handled in the reverse order of incoming goods. The buyer makes out a return form that is checked like an invoice against the quantity being returned. The goods are packed and turned over to the transportation company. Some stores will not return goods until an authorization has been made by the office, because if payment has already been made for the goods, it might prove difficult to collect for those returned.

Mechanizing the Receiving Process

During recent years the receiving and distribution of goods has become largely mechanized. As already indicated, some stores use roller conveyors which make it possible to move a package off a truck or a freight car at the receiving point. One store has a hoist that lifts packages to a point where a gravity roller conveyor carries them on to the checking and storage space.

In addition to the layout described on page 255, a conveyor rack has been developed for ready-to-wear garments that moves them from where they are unpacked to the checking section, and thence to the marking section. Chutes and dumb-waiters have long been used to carry goods to selling floors. A new plan is to build shallow storage floors between selling floors. This makes it possible to move goods without passing through the aisles used by customers.

VOCABULARY

Study the following words. Try to make them a part of your vocabulary.

Cost code—A secret method of indicating the cost of an article on a price ticket.

Direct check—Comparing the merchandise received with the invoice to be sure that the quantities and styles agree.

Invoice register—A record of the invoices received, involving the assignment of a serial number to each invoice.

Portable table—A table on wheels which can be used for checking and for marking goods.

Preretailing—Place the retail price on the duplicate purchase order by the buyer so that the goods may be marked when they arrive without further instructions from him.

Receiving point—The place a store assigns to the receiving of goods.

QUESTIONS ON THE CHAPTER

1. a. How many people should have charge of the activities involved in getting incoming goods ready for sale?
b. In a large store, who has charge of getting incoming goods ready for sale?
c. What kind of jobs in connection with taking care of incoming goods may be filled by boys who have finished high school?
d. What kind of jobs may be filled by girls graduated from high school?
2. a. Where is the receiving point for merchandise in large stores and how is it built?
b. Why is the receiving point built in this way?
3. a. What should be done first when goods arrive at the receiving point?
b. What should be done regarding each package?
c. If transportation charges have not been prepaid, how may they be paid?
4. a. What information is placed in a receiving book or receiving record regarding merchandise received?
b. When a shipment comes in, what should the receiving clerk do in order to see if the goods received were actually ordered?
5. a. What is the plan of a receiving room with stationary tables?
b. How is a portable layout used?
6. a. How should merchandise be laid on a checking table when a shipment is opened?
b. What does the checker count?
c. What is meant by the *direct check*?
d. What is meant by the *blind check*?
7. What is a dummy invoice and how is it used?
8. a. Who should check the goods to make sure that they correspond in quality with what was ordered?
b. How are stockings inspected in one large department store?
9. a. What is meant by a *marker*?
b. What is meant by *preretailing*?

10. a. Does every piece of merchandise need to be marked?
b. How may small, low-priced, fast-selling staples be marked?
11. Why do customers like to see a price tag attached to articles?
12. What are the various kinds of price tickets and with what kind of merchandise may each be used?
13. a. When is it necessary to show the cost of an article on the price tag?
b. Why is the cost price generally shown in code?
c. What are some methods used as the basis for cost codes?
14. a. What is the purpose of adding a seasonal letter or a date to price tickets?
b. What is an example indicating the use of a season letter and the month in the season?
15. a. How are price tickets generally made out in small stores?
b. What are the advantages of machine marking?
16. a. What is meant by *re-marking*?
b. Why is it necessary at times to re-mark goods?
17. a. What is done with merchandise after it is marked in stores where hand-to-mouth buying is practiced?
b. What is done with goods if more is bought than is needed in forward stock?
18. a. What are the eight principles of stock arrangement from the sales promotion viewpoint?
b. What are the three principles of stock arrangement from the salesperson's viewpoint?
c. What are the four principles of stock arrangement from the merchandise-control viewpoint?
19. What is the procedure for handling the manufacturer's or the wholesaler's invoice when it arrives at the store?
20. Give the steps in the "flow of goods."

PROBLEMS FOR DISCUSSION

1. Why are goods so often received haphazardly in small neighborhood stores?
2. How may a good receiving system help lower store expenses?
3. What qualifications should one have to be a good receiving clerk?
4. What qualifications should one have to be a good checker?
5. What qualifications should one have to be a good marker?
6. What are the advantages and the disadvantages of not marking all merchandise?
7. Why should a checker check the *quantity* of goods received, whereas the person who ordered the goods should check the *quality*?

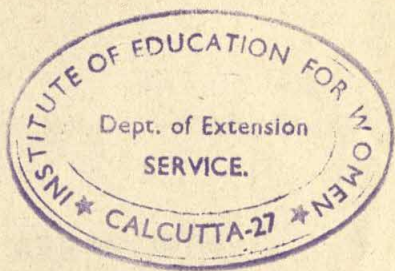
8. Explain the difference between pricing merchandise and placing price tags on merchandise.
9. Name five different articles that might be marked
 - a. With tags.
 - b. With gummed labels.
 - c. With price tickets.
10. Which of the kinds of cost codes do you favor? Why?

THINGS TO BE DONE

1. Make an outline of the steps necessary to prepare goods for sale. Begin with the sending of the purchase order.
2. Draw a diagram showing the flow of goods through the store from the receiving point until ready for sale. Draw another diagram showing the steps through which an invoice passes, as explained in this chapter under the heading "Invoice Control."
3. Prepare a cost code made of a word or a phrase of ten letters and show how each of the following prices could be written: \$4.50, \$16.00, \$17.23, \$8.90, \$7.77.
4. Committees from your class will obtain price tags for men's or women's suits, a blanket, a pair of hosiery, and an upholstered chair. Each committee will report to the class on the information contained on the price tag for one item.
5. A committee from your class will visit one or more large stores and will report to the class where the receiving departments are located and how they are laid out.

WHAT WOULD YOU DO IN THIS CASE?

A store has nine workers: the owner, six salespeople, an office girl, and a handy man. Incoming goods have been received in the haphazard fashion explained at the beginning of this chapter. The owner cannot afford more help but wishes to organize the receiving function. What receiving duties would you assign to different members of the staff?



PART IV

SELLING

The sales opportunity begins when the goods have been made ready for the customer. This means that they have been ordered, received, checked, and marked. Now they are ready for sale.

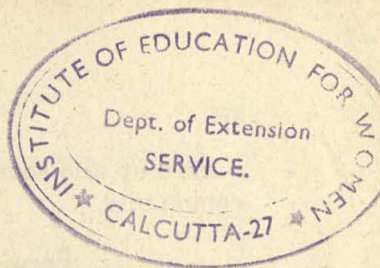
Part IV explains the personal selling activities, as well as the nonpersonal selling activities such as advertising, display, and sales promotion, used in successful stores. How well a salesperson gets along with his fellow workers and with his superiors has a decided influence upon his selling ability and consequently upon the customer. Hence, a chapter is devoted to training the young salesperson to play on a sales team in co-operation with the other workers in the store.

W. P. 134

1881

The first of the year was a very dry one, and the crops were much injured. The second of the year was a very wet one, and the crops were much injured. The third of the year was a very dry one, and the crops were much injured. The fourth of the year was a very wet one, and the crops were much injured.

The first of the year was a very dry one, and the crops were much injured. The second of the year was a very wet one, and the crops were much injured. The third of the year was a very dry one, and the crops were much injured. The fourth of the year was a very wet one, and the crops were much injured. The fifth of the year was a very dry one, and the crops were much injured. The sixth of the year was a very wet one, and the crops were much injured. The seventh of the year was a very dry one, and the crops were much injured. The eighth of the year was a very wet one, and the crops were much injured. The ninth of the year was a very dry one, and the crops were much injured. The tenth of the year was a very wet one, and the crops were much injured.



CHAPTER XIII

GOODS WORTH BUYING ARE WORTH PROMOTING

In the small town in which he had successfully operated a store for several years, Mr. Frank Rainey opened a second store. But even though he was very careful about its location and the layout and about the merchandise he bought for resale, the store was not doing as well as it should. So he called in a business consultant to help him with his retailing problems.

"I can't understand it," he said to the expert. "I followed the plan of my first successful store, and yet, if business doesn't improve, I shall have to close the second store. It will be a pity, because I am sure it is in a good location, and the merchandise is timely and of good value; and the people in the neighborhood need my store."

It took the business consultant two weeks to make a proper diagnosis. Just as a physician takes the temperature of his patient, and listens to his heartbeat, so the business doctor checked the life stream of Mr. Rainey's store. He checked the location and found a large group of potential customers. Then, with his scientific knowledge of arrangement, he studied the store layout and found it to be satisfactory. He looked into the merchandise values, and found them to be as Mr. Rainey explained—"A good value for the money." He checked the store procedures, the store system, and the delivery and other services. All seemed to be in good order. And then he found the cause of the trouble: the selling function of the store was weak. It had not been carefully studied and built up but had been left entirely to chance. No one in the store was responsible for keeping sales up to a predetermined level. As a result the store looked "sick." The business consultant persuaded Mr. Rainey to select a responsible person thoroughly versed in the principles of sales promotion. In a short time the store

perked up and soon became one of the leading stores in the community.

Personal and Nonpersonal Selling

When we speak of "selling," we generally have in mind the work of a salesperson. If we study any modern store, however, we soon realize that selling is done through a number of *nonpersonal* mediums as well as through the efforts of salespeople. Thus a beautiful store display may cause a customer to buy goods without a word being spoken by a salesman. Vending machines have eliminated personal selling in some instances, and in the large self-service supermarkets, a minimum of personal selling is used. It is not surprising that order-takers, advertisements, displays, and machines are being used in place of real salespeople, because the use of salespeople is an expensive way to sell merchandise. This being the case, the wise salesperson will make himself indispensable to his store by giving personal attention and worth-while advice about goods to all customers with whom he comes in contact.

Selling may be broken down into (1) personal selling and (2) nonpersonal selling. The co-ordination of the two so as to give the best results is called *sales promotion*. Both personal and nonpersonal selling may be divided into (a) selling outside the store, or external selling, and (b) selling inside the store, or internal selling. Every merchant tries to use the particular combination of personal and nonpersonal selling mediums that will sell his merchandise most effectively and yet most economically.

Personal Selling Outside the Store

Although most people are familiar with house-to-house selling, many people do not know that some stores hire outside salesmen. Such salesmen are frequently employed to sell household appliances. Since they can invite customers to come to the store to see a wide assortment, they have an advantage over the house-to-house salesman who must carry all his samples with him.

KINDS OF SELLING

Personal Selling

External: House-to-house.
By telephone.
By mail.

Internal: Over-the-counter.

Nonpersonal Selling

External: Advertising.
Window display.
Special-purpose publicity.
Free publicity.
Sampling.

Internal: Advertising.
Merchandise labels.
Interior display.
Shows.
Exhibits.
Vending machines.

Some stores hold periodic house-to-house sales drives. All employees are asked to sell and to take orders for an article, such as a shirt, that is bought especially for this sale. Salespeople and other employees of the store are told that they can solicit customers anywhere in the city during their spare time. The employee who makes the most sales for the store receives a prize or a bonus. Sometimes deliverymen are asked to take orders for the article while making deliveries.

One store used part of its selling force to give demonstrations of cooking and sewing techniques at customers' homes and at clubs, and these demonstrations boosted the store sales. Many stores send out expert interior decorators who make suggestions for beautifying the home and for arranging furniture and draperies. These decorators may increase sales by suggesting the purchase of additional furnishings.

Stores may also employ the mail and the telephone, which are really forms of outside selling. A store advertises that mail and telephone orders will be taken and employs special clerks to handle the orders. If the store builds up a reputation for quick and accurate filling of mail and telephone orders, it may soon enjoy a sizable mail and telephone business. In specialty shops it is a common practice for salespeople to call up customers and tell them about special values.

Personal Selling Inside the Store

Inside the store most selling is done by salespeople. The salesclerk's main duties are to sell the stock provided by the management and to render services to the customer. It is generally agreed that successful personal selling is the basis for success in modern retailing; hence the next two chapters will be devoted to personal selling.

Nonpersonal Selling Outside the Store

Nonpersonal selling includes publicity and selling by mechanical methods, such as the use of vending machines. Publicity, as retailers use this term, may be defined as the presentation of goods or services in a nonpersonal way. It includes advertising, display, sampling, and special-purpose publicity, of which the fashion show is an example. Most publicity is paid for by the store, but some is free. Examples of free publicity are news items in periodicals and radio announcements for which no payment is made. When sellers other than retailers use the term *publicity*, they generally mean free publicity.

External Advertising. Advertising, as retailers use the term, is any paid form of nonpersonal presentation of information about merchandise or service to a group. Retailers distinguish among *advertising*, *merchandise display*, and *free publicity*; the last of these is not paid for directly. The newspaper is the retailer's chief medium for outside advertising. The use of the newspaper and other advertising mediums will be discussed in Chapter XIX.



SELLING BY TELEVISION— SENDING

Television has become an important selling medium. This unique style show was sponsored by the National Broadcasting Company. The operator in the foreground is getting the picture; the woman at the right is announcing.



SELLING BY TELEVISION— RECEIVING

Television makes it possible for goods to be demonstrated in the home. This couple in front of a television set are watching the style show.

External Display. The store's windows are the chief external display medium. They should show the store's best merchandise values and outstanding goods. Stores occasionally set up displays of goods in hotel or theater lobbies in order to draw customers to the stores. Occasionally stores show displays at fairs, or show merchandise through the use of model homes.

External Special-Purpose Publicity. Each year on Thanksgiving Day, one of Philadelphia's largest department stores holds a parade for the benefit of the children of the city. The result is that both children and parents are anxious to go to the store to see the wonderful toys that have been stocked for Christmas. Demonstrations and showings in schools and classes may also be used to draw people to stores. These are all forms of special-purpose publicity.

Sampling. A store may use outside sampling as a sales stimulus. It may engage people to go from door to door or to stand on a corner and to offer samples of the article that is being promoted. This means of publicity is especially effective for food products and is frequently used by confectionary shops.

Nonpersonal Selling Inside the Store

Internal Advertising. The store must back up its outside advertising with internal advertising if it is to keep up the customer's interest. Such inside advertising is also called *point-of-sale* advertising. The internal advertising may consist of reproductions and enlargements of the advertisements printed in newspapers. These are frequently placed on bulletin boards near the elevators. Manufacturers' advertisements are also used for internal advertising purposes.

Direct advertising matter, consisting of leaflets, booklets, or catalogs, may be inserted in the customers' packages or enclosed with monthly statements to charge customers. Very often packages themselves carry advertisements. A number of stores use the *handout* as one of their point-of-sale devices for increasing sales: when a customer enters a store, she is given a handbill on which is printed the merchandise and the prices that the store is featuring on that day.

All sorts of signs (counter, hanging, elevator, and stationary) are used by stores for internal advertising. Enlarged photographs of articles are often found in the department selling the articles as well as in related departments. Frequently motion pictures of the story behind merchandise are employed to build goodwill and to increase sales. The pictures may show how the goods are manufactured, why they should be purchased, and how they should be used. Some stores use the public address system to broadcast information about special sales and other store activities of interest to people shopping in or passing through the store.

Merchandise Labels. A nonpersonal selling medium of growing importance is the informative label that both stores and manufacturers are now attaching to their products. Organized consumers have been demanding more factual information to help them in wise buying and the federal government has drawn up trade-practice regulations requiring that labels show the material content of many textile products. Labels have two functions: (1) they act as nonpersonal selling mediums and provide the salespeople with the specific facts needed for an intelligent presentation of goods to the customer; and (2) they aid the customer in making a wise choice, especially if the store carries more than one grade of a product.

The National Consumer-Retailer Council, an organization representing a number of women's organizations and large groups of retailers, recommends that each label answer the following questions about the product to which it is attached.

What is it made of?

What will it do?

How is it made?

How should it be cared for?

Sears, Roebuck and Company include six points on their labels:

- (1) The brand name.
- (2) Selling copy to answer the questions, "What is it?" and "What will it do?"
- (3) Technical specifications covering construction and hidden features.
- (4) Guarantee—the integrity of the merchandise and of the seller is emphasized.
- (5) Instructions for care and handling.
- (6) Suggestion-selling copy—the naming of companion items in which the customer is likely to be interested at the same time.

Although Sears, Roebuck and Company can develop their own labels through the facilities of their great testing laboratory, most stores find it necessary to depend on manufacturers to provide labels. The latter have hesitated to

Guest Chamber

REG. U. S. PAT. OFF.

OUR BEST MUSLIN

Exceeds Federal Specification DDD-S-281 for threadcount, breaking strength and weight

THREADCOUNT: 76 warp yarns and 70 filling yarns per sq. inch (the more threads per inch, the more wear)

BREAKING STRENGTH: Warp resists 81 lbs. strain per inch . . . filling resists 76 lbs. per inch (the greater strain a fabric takes—the greater service you may expect)

WEIGHT AND SIZING: Weighs 4.9 oz. per sq. yd. . . . only 3% sizing

SELVAGES AND HEMS: Wide tape selvages . . . straight stitched hems . . . hand torn to insure evenness after laundering

Woven size tabs for convenience—all figures are average

SOLD ONLY BY SEARS, ROEBUCK AND CO.

2L-405C

Guest Chamber

REG. U. S. PAT. OFF.

CARDED PERCALE

Made of long staple cotton. Double carding increases smoothness and evenness of yarn.

THREADCOUNT: 96 warp yarns and 90 filling yarns per sq. inch (the more threads per inch, the more wear)

BREAKING STRENGTH: Warp resists 68 lbs. strain per inch . . . filling resists 61 lbs. per inch (the greater strain a fabric takes—the greater service you may expect)

WEIGHT AND SIZING: Weighs 3.9 oz. per sq. yd. . . . sizing only 1% (the light weight of percale cuts laundry costs . . . gives smooth, silken sleeping comfort)

SELVAGES AND HEMS: Wide tape selvages . . . extra wide 4-inch hems at top of sheet . . . hand torn to insure evenness after laundering

Woven size tabs for convenience—all figures are average

SOLD ONLY BY SEARS, ROEBUCK AND CO.

2L-405D

Guest Chamber

REG. U. S. PAT. OFF.

OUR BEST QUALITY COMBED PERCALE

Made of long staple cotton combed, leaving only the longest fibers—thus assuring smoothness and longer wear.

THREADCOUNT: 103 warp yarns and 99 filling yarns per sq. inch (the more threads per inch, the more wear)

BREAKING STRENGTH: Warp resists 79 lbs. strain per inch . . . filling resists 85 lbs. per inch (the greater strain a fabric takes—the greater service you may expect)

WEIGHT AND SIZING: Weighs 4 oz. per sq. yd. . . . only 1% sizing (this Combed Percale is lighter weight than muslin yet stronger due to the fine yarns used)

SELVAGES AND HEMS: Wide tape selvages . . . extra wide 4-inch hems at top of sheet . . . hand torn to insure evenness after laundering

Woven size tabs for convenience—all figures are average

SOLD ONLY BY SEARS, ROEBUCK AND CO.

2L-405A

Lauderite

REG. U. S. PAT. OFF.

A VERY GOOD QUALITY MUSLIN

THREADCOUNT: 70 warp yarns and 62 filling yarns per sq. inch (the more threads per inch, the more wear)

BREAKING STRENGTH: Warp resists 62 lbs. strain per inch . . . filling resists 58 lbs. per inch (the greater strain a fabric takes—the greater service you may expect)

WEIGHT AND SIZING: Weighs 4.3 oz. per sq. yd. . . . only 6% sizing

SELVAGES AND HEMS: Wide tape selvages . . . well stitched hems . . . hand torn to insure evenness after laundering

Woven size tabs for convenience - all figures are average

NUMBER • TORN SIZE BEFORE HEMMING

SOLD ONLY BY SEARS, ROEBUCK & CO
F19998

INFORMATIVE LABELS

These four labels are applied to the retailer's four qualities of sheets. The consumer can tell from these labels just how specifications differ.

assume the expense because they question the existence of a serious demand. Retailers are learning, however, that labels do assist in selling. If they will tell manufacturers exactly what they want on labels, there is every probability that manufacturers will furnish them.

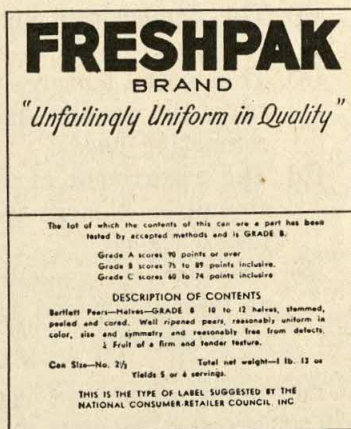
Internal Display. The wide-awake merchant not only uses open and closed counters to display merchandise throughout the store, but he also uses walls, ledges, fixtures, and various kinds of equipment for display purposes. Occasionally interior windows are also available for displays.

Internal Special-Purpose Publicity. Various other devices are used within the store to spur the sale of goods. Among these are dramatized merchandise presentations, such as fashion shows, classes for sewing and cooking, lectures, musical concerts and exhibits, and contests open to customers. These features draw many customers who are especially interested in the particular activity.

Selling Appeals

Even more important than the mediums used for selling are the appeals made through these mediums to induce customers to buy. People buy primarily because of the benefits they expect to get from goods and secondarily because the goods represent bargains. The benefits to the customers may be based on:

- (1) The design or the appearance of the merchandise.
- (2) The source of the merchandise. Certain sources may be an assurance of quality.



INFORMATIVE LABEL FOR CANNED GOODS

This label describes the contents of the can in detail and indicates the official government grade.

- (3) The composition and the construction of the merchandise.
- (4) The special features of the merchandise. These may make the merchandise superior to and different from competing goods.
- (5) The assortment of sizes, colors, and styles of merchandise. A large assortment may assure an appropriate choice.
- (6) The services available with the merchandise, such as installation and servicing of appliances and easy-payment plans.

The seller should, of course, determine which appeals are of greatest interest to customers and then use these appeals in the appropriate mediums. For example, a blanket may be presented on a basis of comfort and warmth, a dress on a basis of fashion, a mattress on a basis of comfort, and a can of peas on a basis of flavor.

Price Appeals

People seldom buy goods simply because they are cheap. They buy for what the goods will do for them. Nevertheless stores find that the special sale in which low price is the chief appeal is an effective method of selling. In such sales the benefits of the merchandise are so clear in the customer's mind that she responds to a price appeal even though other appeals are not specifically mentioned by the seller.

The Clearance Sale. The clearance sale is a necessary evil, held because the goods involved are going out of fashion, are deteriorating, or are being discontinued. If such goods are sold at reduced prices, however, many customers will feel that they are well worth buying.

The Special-Purchase Sale. The special-purchase sale is a sale of special lots of merchandise available in the wholesale market that may be bought at a great reduction from regular wholesale prices. Such merchandise is generally

available late in the season, as a result of the over-optimism of manufacturers or of cancellations of orders by retailers. Such a special-purchase sale is therefore a *postseason* sale in the store. Thus a store may buy and put on sale a number of coats late in the winter. Customers who buy them will, of course, lay them away until the following winter season.

Some special-purchase sales represent seasonable merchandise on which the store has been able to get a concession. This concession may result from the fact that an unusually large quantity is bought at one time or from the fact that the store places its order during the manufacturer's dull season. The concession is, however, more commonly a reward given by a manufacturer, once or twice a year, to stores that have been handling his goods in quantity at regular prices. Special-purchase sales are sometimes *preseason* and offer the public opportunities to get special values by buying early.

The Sale from Stock. The sale from stock is a temporary price reduction on regular goods that are to be restored to regular prices after the sale. The aim is to attract so many bargain seekers during a short interval as to make the offering profitable even though the margin above the cost price is much less than usual. Thus suits that cost \$22.50 and that are regularly sold for \$40 may be sold for \$32.50. If enough suits can be sold in a short time, a good profit may be realized. Here is how it works out: Normal expenses during a week may be \$150, and the normal number of suits sold during a week may be ten. Each suit, then, must contribute \$15 to expenses, leaving a profit of \$2.50 a suit, or \$25 for the week. But at a price of \$32.50, forty suits may be sold during a week. Even if, because of the sale, the week's expenses double to \$300, the share of the expenses for each suit will only be \$7.50. This still leaves a profit of \$2.50 a suit, or \$100 for the week. If these sales are not held too frequently or for too long a time so that they lose their pulling power or make customers suspicious of regular prices, they add considerably to profits.



AN ANNIVERSARY SALE

Ewing Galloway

A special sale of this type may draw a large crowd.

Anniversary Sales. Many stores hold so-called anniversary sales. These may be preseason or postseason sales, or they may even be held during the season. They are supposed to commemorate the founding of the store, but their real purpose is to select a suitable time to obtain a great deal of extra business by offering a large variety of merchandise at special prices. Generally some regular stock is reduced in price for the event, and some of the goods are especially purchased and will not be carried long in stock. Many stores have built a reputation for fine values during their anniversary sales.

Type of Store and Special Sales. The central policy of a store should include a definite decision in regard to sales events. The store should determine whether it will hold many sales, few sales, or no sales at all. The kind of customer the store wishes to attract and a weighing of the advantages and disadvantages shown on page 288 will help determine its policy in regard to sales.

The promotional store attracts bargain hunters who respond promptly to low-priced offerings. Such stores find numerous special sales necessary. Some of the sales of the promotional store are store-wide in scope; others are limited to certain departments. Such stores are often decorated with flags, banners, and bunting, and large posters scream "low price."

KINDS OF SPECIAL SALES

1. Clearance sale—A sale to move goods that are going out of fashion, that are being discontinued, or that are leftovers from the season.
2. Special-purchase sale—A pre-season or post-season sale of goods which the store has bought at a special price.
3. Regular-stock sale—A sale of regular stock offered at a reduced price for a short period of time in order to increase sales volume.
4. Anniversary sale—A sale at which special values are offered to commemorate the founding of a store.
5. Seasonal sale—Any special sale that is regularly repeated every year, such as the "August Furniture Sale" and the "January White Sale."

The nonpromotional store attracts people who shop when they are in need of goods and not primarily in response to advertisements. These stores try to build a regular clientele by offering quality merchandise at reasonable prices. They may, however, hold a few sales a year, particularly "end-of-season" clearance sales.

The store that holds more sales than the nonpromotional store, yet not as many as the promotional store, may be considered in the semipromotional group. The sales calendar of these stores may include anniversary, seasonal, and clearance sales, and one or two promotional sales such as "end-of-month," "half-price," "red-ticket," "clover-day," and "bonus-day" sales.

ADVANTAGES AND DISADVANTAGES OF SPECIAL SALES

Advantages:

- Sales are increased.
- New customers are attracted.
- Reputation for good values is developed.
- Cash is quickly raised.
- The store organization is toned up.

Disadvantages:

- Sales are overdone—alleged values are not always real.
- Customers lose confidence in regular merchandise and wait for sales or buy elsewhere.
- Low markup on specially bought goods, plus extra reductions later, plus extra expense, may result in a net loss in spite of increased volume of business.

Special sales are probably overdone. In their desire to get volume, stores frequently lose both profits and goodwill. Some stores have cut their prices to a low, unprofitable point and have incurred extra expense in holding sales; others have sold shoddy merchandise that has not given customers satisfaction. Too often, like the boy who called "Wolf! Wolf!" when there was no wolf, some stores have called "Sale! Sale!" when there was no real sale.

Planning Sales-Promotion Activities

Special sales involve careful planning to insure their success. There are four steps involved:

- (1) Planning the event.
- (2) Co-ordinating the people involved to make the sale a success. Is extra help needed?
- (3) Conducting the sale.
- (4) Reviewing results. What mistakes were made? What were the best features? Should the promotion be repeated?

A sales-promotion calendar should be drawn up to include the regular monthly, seasonal, or yearly sales. This calendar of events should be based on past records. To this calendar should be added any special sales that are to be held. The possibilities of special sales should be determined after a careful analysis of the market has been made and studied.

An analysis should be made of best-selling items, of slow-selling items, of successful and unsuccessful sales, and of want slips. Customer demand is always changing, so that the planner cannot depend entirely upon past statistics. He must determine what the customer wants today, and then get it for her at prices she is willing to pay. Preliminary sales tests, such as placing a small quantity of goods on sale to see how fast they will sell, are often used to judge customer demand. Observation of other stores' displays, advertising, and merchandising often give the merchant a clue as to what customer demand will be.

Checking Promotional Activities. It is well to check on the adequacy of both personal and nonpersonal methods of selling. This may be done by using a check list of all mediums and devices that the store may employ. Such a chart is shown on page 277. It lists and classifies selling tools and devices. By studying this chart, the merchant can select the mediums most suitable for each event he has in mind. Most merchants advertise, but they forget to follow up their advertisements with point-of-sale publicity and with properly co-ordinated personal salesmanship.

VOCABULARY

Study the following words. Try to make them a part of your vocabulary.

Internal display—Any display of merchandise inside the store rather than in shopwindows.

Nonpersonal selling—Any effort to sell goods that does not involve the use of salespeople.

Point-of-sale advertising—The use of advertisements, signs, and labels within the store to promote the sale of specific merchandise or service.

Pre-season sale—A sale which sells goods before the regular seasonal demand. An example would be an overcoat sale in September.

Promotional store—A store which emphasizes low price and special sales, and where advertising is used largely to attract customers to specific bargains.

Sales promotion—The co-ordination of all selling methods to produce the maximum in sales.

QUESTIONS ON THE CHAPTER

1.
 - a. By what means do stores decrease the need for real salespeople?
 - b. Why are these mediums being used in place of salespeople?
 - c. Since various nonpersonal mediums are being used in place of salespeople, what will the wise salesperson try to do?
2.
 - a. What are the two types of selling?
 - b. What do we call the co-ordination of the two types of selling?
3. Into what two kinds of selling may both personal and nonpersonal selling be divided?
4.
 - a. What are outside salesmen who sell for stores frequently employed to sell?
 - b. What advantages have they over regular house-to-house salesmen?
5. How may stores use expert interior decorators as outside salesmen?
6. If a store advertises that mail and telephone orders will be taken, who handles the orders when they are received?
7. What is the basis of success in modern retailing?
8.
 - a. What is publicity?
 - b. What does publicity include?
9.
 - a. What is advertising?
 - b. What is the difference between advertising, merchandise display, and free publicity?
10. What are the chief mediums of external display for a store?
11.
 - a. How is outside sampling sometimes done?
 - b. With what kinds of products is it especially effective?
12.
 - a. What is meant by point-of-sale advertising?
 - b. What kinds of advertising are included under point-of-sale advertising?
13. What does the National Consumer-Retailer Council recommend that a label should contain?

14. What are the various kinds of internal display?
15. It is stated that people buy primarily because of the benefits they expect to get from goods. Upon what may the benefits to customers be based?
16. What is a clearance sale?
17. What is a special-purchase sale?
18. What is a sale from stock?
19. What is an anniversary sale?
20. What four steps are involved in planning sales-promotion activities?

PROBLEMS FOR DISCUSSION

1. Is sales promotion a major problem in small stores? Why?
2. Which group of retail sellers earn the higher salaries, those that specialize in personal selling or those that specialize in nonpersonal selling? Why?
3. What stores in your community supplement their inside selling by outside or house-to-house selling? What kinds of goods are sold by outside selling?
4. In what types of nonpersonal outside selling can small stores profitably engage?
5. With what kinds of merchandise are merchandise labels most successful, judged by the fact that they are examined by customers?
6. What kinds of special sales are used by stores in your community? What kinds of stores use these sales?
7. Is it better to offer the best values possible all the time or to hold frequent special sales?
8. What kinds of sampling are used in your community? Do stores or manufacturers sponsor these various kinds of sampling?

THINGS TO BE DONE

1. Prepare ten titles of seasonal, annual, and special events, such as Easter week and birthday sales.
2. Prepare a written plan of about two hundred words for promoting and executing an Easter-week sale in a candy shop. Discuss what kinds of candies and containers you would feature, and how you would tie up candy with the Easter theme. Suggestions as to window trims may be included.
3. Procure an informative label and study carefully the information provided. Does it seem to include all the facts impor-

tant to the customer? Are the facts presented in nontechnical language easy to understand? Will reading this label help the salesperson sell better and help the customer buy better?

4. Make a collection including one of each of at least seven of the following fourteen kinds of nonpersonal sales-promotion devices used by retail stores:
 - a. A newspaper advertisement.
 - b. A magazine advertisement.
 - c. A theater program advertisement.
 - d. A direct-mail letter.
 - e. A direct-mail post card.
 - f. A direct-mail booklet or catalog.
 - g. A handbill delivered to the home.
 - h. A handbill given out at the door of a store.
 - i. A handbill enclosed in a package.
 - j. A counter sign.
 - k. An elevator card.
 - l. An enlargement of an advertisement or a photograph displayed in a store.
 - m. A fashion-show announcement.
 - n. An announcement of a lecture, exhibit, instruction course for customers, or a customer contest.
5. A committee from the class should visit the largest store in the community and should collect as many samples as possible of point-of-sale advertising used. These should be presented to the class, and the usefulness of each should be discussed.
6. Indicate in writing a desirable selling appeal for each of the articles below. Do not make low price the dominant appeal. Which of the following mediums would you use in making the appeal: advertising, window display, placards in the store, merchandise labels, personal sales talk, or telephone sales talk?

a. Hard water soap.	f. Paint.
b. Cleansing tissues.	g. Bicycle.
c. Chenille bedspread.	h. Gasoline.
d. Fur coat.	i. Ham.
e. Garden hose.	j. Germ flour bread.

WHAT WOULD YOU DO IN THIS CASE?

You have been selected by Mr. Rainey as the sales promotion manager of his second store. What would be your calendar of sales events, and how would you co-ordinate the personal and nonpersonal selling to increase the sales volume of that store?

CHAPTER XIV

THE SALESPERSON IS THE KEY MAN

Duties Vary with Size and Type of Store

The Salesperson's Duties in a Small Store. William Jones worked in a neighborhood grocery store. He swept the floor and attended to the furnace. He waited on customers, made change, wrapped the customers' purchases, delivered heavy packages for them, and kept them informed of the "specials" on sale. Very often the store owner asked him to check, mark, and display goods when they came in from wholesalers. He tried his hand at making display signs and price tags, and occasionally he dressed the window.

He felt that he did almost everything the owner did. Except for buying and keeping the books of the business, he performed all the duties of storekeeping in a small store.

He Applies for a Position in a Large Store. When he applied for a position as a salesperson in the men's furnishings department of a large downtown department store, he felt sure he knew all the duties of the salesperson. Since he had had so much experience in handling customers, his application received favorable attention. During the interview with the personnel manager, however, he was surprised to learn that he knew only some of the duties of a salesperson and that he had a number to learn.

"Yes," said William very confidently to the personnel director, "I know the duties of a salesperson."

"Then of course, Mr. Jones, writing sales checks will not be new to you and your training period will be shortened."

"Sales checks? I never wrote a sales check—we simply used a cash register."

"I suppose you did many things in your neighborhood store that you will not do here. For instance, you will not be called upon to dress the windows or deliver packages. On the other hand, your stock work here will be different, and you will need to know how to direct customers. In other

words, Mr. Jones, a salesperson's duties vary with the type of store and even with the type of merchandise sold. Over-the-counter work is different from selling in a ready-to-wear department or in a shoe department. But the most important duty, that of assisting the customer and selling him merchandise, is the same for all kinds of goods in all kinds of stores."

Store Routine. When William went to work the next day, he was shown the new method of checking in. He was given a numbered card and was told to "punch" a time clock. He was now an employee of a large organization. As a new employee, he had to become acquainted with the store's rules and systems. William received a handbook that explained a great deal to him, such as the system of checking in and out, the store hours, and the schedules for lunch hours. The book also explained about employee entrances and elevators, and gave the dress regulations of the store. It told how the employee should do his personal shopping within the store, and how he should make or receive personal telephone calls.

When he started to work in the men's furnishings department, William was assigned specific duties in connection with the care of stock and the display of goods in one section of the department. He had to perform, as a matter of routine, stockkeeping functions that he had not performed before.

Selling—the Chief Duty of the Salesperson

When customers enter any but a self-service store, they expect to be greeted and served by salespeople. Selling goods to customers is the most important duty of the salesperson and he must devote most of his time to this work. But before he can sell successfully, the salesperson must prepare himself. This he can do through attending classes in selling, or he may study some of the many books that have been written on this phase of the salesperson's work.

Former Attitude toward Selling. The salesperson should first get the proper attitude toward selling. Years ago sell-



Ewing Galloway

ASSISTING THE CUSTOMER

To assist the customer to make a wise choice is the chief duty of a salesperson.

ing was regarded as a lowly occupation. When a person could not get any other kind of business job, he turned to selling. He thought of it only as a temporary job—as a steppingstone to a better position. He entered selling with very little idea of how to render service to the customer. He knew little about his merchandise, and he knew less about people. He used high-pressure salesmanship and sometimes made untruthful statements.

Selling Today. Today stores are seeking salesmen of high integrity. The average customer is a well-informed individual. The radio, motion pictures, magazines, and newspapers bring him the latest information about merchandise and fashion. Books have been written that tell him how to get the most for his money. Competition among stores is very keen and every merchant is begging for his patronage. As a result of all these facts, a change has taken place in retail methods and in selling technique. The

customer demands *professional* salespeople, not people who are merely putting in time until a better job comes along.

Service. The salesperson should look upon selling as a form of service. His function is to help the customer to buy wisely. He should feel that he adds something to the happiness of his customer by suggesting and selling to him the goods that will best suit his needs. In order to serve his customer the salesperson must be an expert in his line. He must know the sources, manufacturing processes, styles, uses, care, and prices of his goods.

A Knowledge of Merchandise Is Necessary. The salesman must be able to answer the questions that customers will ask about merchandise. Why is the price of this chair \$48 and of that one only \$22? Will this material wash? Is it all wool? Sometimes customers ask salespeople to solve their merchandise problems by asking, "How many pounds of roast do I need for six people?" or "What material shall I use for kitchen curtains?" If the salesperson can give the right answers, the customer is likely to buy. The salesperson can school himself to answer these and other questions by reading and studying the labels and the advertising matter that come with merchandise and by questioning more experienced salespeople. He should continually examine goods, compare styles, imagine new uses for goods, think of ways and means to care for them, and devise new means of bringing out their good features.

A Study of the Customer Is Needed. The salesman should also be a student of human nature. He should understand people and should study their habits, problems, and methods of buying. He should be a keen observer of facial expression. The technique of leading the customer through the steps of a sale is based on a study of the human mind during a sales interview. This selling technique will be considered in detail in the following chapter.

Building a Clientele. One of the salesperson's duties that is too often disregarded is making regular customers for the store. Many salespeople feel that building up the busi-

ness is the work of the advertising, the merchandising, or the credit department, whereas the salesman has more to do with building up the business than any of these three departments. The salesperson is the store's representative. His attitude and his actions reflect the store's policies. Every time he makes a sale he is in a position to make a regular customer for the store, and regular customers mean regular business. The salesperson should endeavor to bring customers back to the store. One thoughtless act or one discourteous word may lose a customer who might have given the store a great deal of business in the future.

Salespeople should learn their regular customers' names as soon as possible and should keep in mind the kinds of merchandise and the range of prices they prefer. When a customer feels that a salesperson is showing a friendly interest in him, he will return to buy again. He will look up the friendly salesperson who calls him by name and will ask his aid in the solution of his merchandise problem.

It should be remembered that the factors that influence customers to return to a store are not the same as those that induce customers to buy when they are in the store. A large Buffalo store made a study of these two sets of factors among one thousand customers. It was found that promptness of approach is the chief factor in determining whether customers buy while they are in the store; that active assistance in closing the sale is second in importance; and that politeness is third. But these are not the qualities that bring the customer back. Here the *attitude* of the salesperson is of chief importance, and the salesperson's knowledge of merchandise is second.

The complete table is as follows:

	RANK OF FACTORS THAT INFLUENCE THE CUSTOMER WHILE IN THE STORE	RANK OF FACTORS THAT INFLUENCE THE CUSTOMER'S RETURN
Promptness of approach	1 -	6 -
Amount of merchandise shown	6 -	4 -
Merchandise information	5 -	2 -
Closing of sale	2 -	3 -
Attitude	4 -	1 -
Politeness and courtesy	3 -	5 -

Selling System. The technique of recording a sale, of making change, of handling a charge account, and of wrapping packages is known as the *selling system*. It is the duty of every salesperson to perform whatever work connected with the selling system the store assigns to him. The details of the system will be considered in a later chapter.

DUTIES OF THE SALESPERSON

- Selling and service.
- Building a clientele.
- Performing the details of the sales system.
- Stockkeeping.
- Interior display.
- Inventory and control of stock.
- Directing customers.
- Preventing waste and losses.

Nonselling Duties

Stockkeeping. In nearly every store the care of stock on the shelves is an important duty of salespeople. Each morning before customers enter the store salespeople are generally required to remove the cloths that cover the stock, fold them, and put them away until the end of the day, when they are again replaced to keep dust off the goods. Next, salespeople put up small fixtures, price stands, and displays. They put into current stock the merchandise received from the reserve warehouse or from an outside supplier, first checking the merchandise and then carefully placing it behind or below the stock already on hand. This is done so that merchandise will keep moving and so that the old goods will be sold before the new.

It is the salesperson's duty to keep stock neat, clean, and well arranged. A good salesperson knows his stock thoroughly; he cuts down waste and loss by replacing price

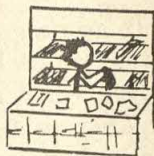
HOW TO TAKE CARE OF YOUR MERCHANDISE

The handling of merchandise is one of the big parts of your job. If you and the other salesclerks in your department want to make a satisfactory sales record you must all make sure that your merchandise is carefully handled. No customer wants merchandise that is soiled or damaged. They will either refuse to buy it or will return it and you will lose the sale.

Here are some hints that will help you to keep your stock clean and free from damage:



Be sure tops of counters and fixtures are clean before placing merchandise on them.



Keep your hands clean, free from carbon smudges or dirt.



Put away all unsold merchandise that you have brought out for customers' inspection as soon as sale is completed.

Re-fold opened merchandise in the same folds, before you replace it in stock. Keep easily soiled, light-colored merchandise in boxes or covered at all times when not in use.



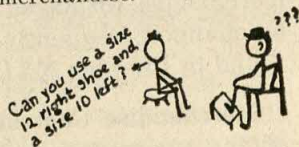
Don't overload stock drawers.



Be careful to keep carbon or pencil marks from merchandise.

Wrap light-colored, or easily soiled merchandise in tissue or place it in a white paper bag, before putting in M.C. bag, and be sure that the sales check does not touch the merchandise.

Be very careful of merchandise that consists of several parts; make sure that the parts are properly matched.



In summary—give every piece of merchandise the same consideration and respect you would if it belonged to you.

STOCKKEEPING

This is a page from a store's manual that gives instructions on stock care.

tags, removing spots from merchandise, and keeping a covering over light and fragile articles.

The salesperson must also look after the housekeeping of the department. Receptacles are provided for all trash, newspapers, boxes, wrapping paper, and string. No objects should lie about carelessly. Sales books, pencils, and forms should be kept in definite places. This housekeeping work is usually done in the morning and during the last few minutes of the day. Stock work should never be done in the presence of a customer, for it would be disrespectful. No hostess would clean her house in the presence of a guest, even though she knows that a clean house creates a favorable impression.

Stock work aids the salesperson in selling. It acquaints him with his merchandise and with the location of each article. Customers become impatient and annoyed when a salesperson hunts for merchandise or asks another salesperson where to find it. If stock is shown promptly, handled carefully, and demonstrated expertly, the customer's confidence is gained and the customer's as well as the salesperson's time is saved.

Display. Closely associated with stock work is the preparation of simple displays. For this work the salesperson should know something about color, line, and design. Displays should be attractive, should win attention, and should create desire on the part of the customer to possess the merchandise. A display showing the goods in practical use or in connection with related goods is always effective. The merchandise displayed should be fresh and clean and should be changed frequently. A further study of display will be found in Chapter XXI.

Merchandise Control. In some stores an important duty of the salesperson is to aid the buyer in keeping up his stock assortment. Each salesperson is assigned a portion of the stock and is responsible for the supply of all staple and regular lines. If there is a reserve stock room, each clerk checks his section every night and orders from the reserve what is needed to replace the day's sales. Where

there is no reserve, inventories are taken by salespeople at regular intervals, generally once a week, and the buyer uses the information to determine what to buy. Between regular inventories, salespeople are expected to report any articles that are low in stock. Once a month salespeople are given lists of slow-selling goods in their sections and are asked to report on the quantity then on hand and the current selling prices.

Salespeople assist not only in keeping up a supply of previously stocked articles but also in the purchase of new ones. They turn in want slips that list things that customers ask for but that are not in stock. The merchant or the buyer often asks salespeople for an opinion on samples that he is thinking about buying. Sometimes, too, salespeople are sent to competing stores to shop and to report on merchandise ideas that would be usable in their own departments.

Directing Customers. Customers often enter a store without knowing exactly where to go to buy the things they wish. In a small store directing such customers is relatively simple, for each salesperson should be familiar with the entire stock. In a large store, however, the problem is much more difficult. Salespeople are frequently asked where something can be purchased, and the customer's goodwill depends upon a prompt and accurate answer. Nothing is more annoying to a customer than to be told to go first to one department, and then to another, and finally to a third in a vain attempt to find something that the store probably has in stock but that poorly trained salespeople do not know about.

For example, a customer asked a salesperson in the jewelry department on the first floor of a large department store where she could find some heavy braided gold cord to be used as a belt for a dress. The salesperson directed the customer to the notions department on the same floor. In the notions department the customer was redirected to the yard-goods department on the second floor. In the yard-goods department she was redirected to the drapery department on the fourth floor. From that department the cus-

Where to find it at

MACY'S

HERALD SQUARE, NEW YORK

SPECIAL SERVICES

Cash-Time Office	4th fl 7th Ave Bldg
Depositors' Account Dept	4th fl 7th Ave Bldg
Personal Shopping Bureau	2nd fl Bway Bldg
Restaurant	6th fl 7th Ave Bldg
Telephones	Balcony 34th St Side Bway Bldg
& All Escalator Landings	7th Ave Bldg
Women's Rest Room	6th fl 7th Ave Bldg
U. S. Post Office	Balcony 34th St Side Bway Bldg
Telegraph Offices	Balcony 34th St Side Bway Bldg
Special Gift Wrap	4th fl Bway Bldg
Youth Centre Shopping Service	4th fl Bway Bldg

STORES

Liquor Store	459 7th Ave
Women's Shoes, \$1.50 and under	34th St
Men's Work Clothes and Shoes	443 7th Ave

MERCHANDISE LOCATIONS BY FLOORS

Basement

Automobile Accessories, Electrical Goods, Garden Equipment, Hardware, Housewares, Kitchen Clocks, Kitchen Furniture, Paints, Soda Fountain, Tea Room.

Street Floor

Bargain Tables, Books, Candies, Cosmetics, Drugs, Jewelry, Men's Furnishings, Notions, Optical Dept., Photo Studio Silverware, Small Pocket Accessories, Soda Fountain, Stationery, Tobacco, Umbrellas, Women's Accessories.

Second Floor

Accessory Shop, Apron Frocks, Corsets, Lingerie, Little Shoes, Men's Clothing and Sportswear, Men's Shoes and Hats, Military Shop, Millinery, Negligees, Nurses' and Maids' Uniforms, Personal Shopping Bureau

Third Floor

Blouse Shop, College Shop, Debutante Shop, Furs and Fur Storage, Maternity Shop, Misses and Women's Better Ready to Wear, Misses and Women's Lower Priced Ready to Wear, Women's Shoes at \$3.00 and under.

Fourth Floor

Boys' Clothing and Furnishings, Cash-Time Office, Depositors' Account Department, Girls' and Boys' Shoes and Hosiery, Infants', Children's Girls' and Junior Apparel, Nursery Furniture.

Fifth Floor

Adult Games, Artists' Materials, Bridge Furniture, Camera and Photo Supplies, Radios, Music, Musical Instruments, Pianos, Sporting Goods, Toys and Wheel Goods, Women's Better Shoes, Women's Slippers.

Sixth Floor

Blankets and Quilts, Dress Materials, Laces and Trimmings, Linens, Knitting, Patterns, Restaurant, Ribbons, White Goods.

Seventh Floor

Bedsprings, Chests, Curtains and Draperies, Floor Screens, Lamps, Rugs and Floor Coverings, Upholstery Materials and Sundries.

Eighth Floor

Bakery and Delicatessen, China and Glassware, Clocks, Gift Shop, Groceries, Luggage and Travel Accessories, Party Shop, Pictures, Frames, and Macy Gallery, Mirrors.

Ninth Floor

Corner Shop, Furniture, Mattresses.

MERCHANDISE LOCATION BY ITEM

A

Accessory Shop	2nd fl Bway Bldg
Accessories — Women's	2nd fl Bway Bldg & St fl Bway Bldg
Girls'	4th fl Bway Bldg
Apparel	
Men's	2nd fl 7th Ave Bldg
Women's	3rd fl Bway Bldg & 7th Ave Bldg
Girls'	4th fl Bway Bldg
Boys'	4th fl 7th Ave Bldg
Infants'	4th fl Bway Bldg

Aprons

Bar and Butchers'	2nd fl 7th Ave Bldg
Kitchen	2nd fl Bway Bldg
Rubber	St fl Bway Bldg
Toolmakers' Work Clothes Shop	443 7th Ave
Tailors'	St fl Bway Bldg
Art Embroidery	6th fl Bway Bldg
Artist Materials	5th fl Bway Bldg
Automobile Accessories	Base Bway Bldg

B

Baby Carriages	4th fl Bway Bldg
Baby Clothes	4th fl Bway Bldg
Baby Walkers	5th fl 7th Ave Bldg
Bags and Trunks	8th fl Bway Bldg
Bars	9th fl Bway Bldg
Bar Accessories	Base Bway Bldg & 8th fl Bway Bldg

Bathing Apparel

Men's	2nd fl 7th Ave Bldg
Women's	3rd fl Bway Bldg
Boys'	4th fl 7th Ave Bldg
Girls'	4th fl Bway Bldg

Bathrobes

Men's	2nd fl 7th Ave Bldg
Women's	2nd fl Bway Bldg
Boys'	4th fl 7th Ave Bldg
Girls'	4th fl Bway Bldg
Bathroom Supplies	Base Bway Bldg
Redspreads	7th fl Bway Bldg

Belts

Men's	St fl 7th Ave Bldg
Women's	St fl Bway Bldg
Boys'	4th fl 7th Ave Bldg
Bicycles	5th fl Bway Bldg
Binoculars	5th fl Bway Bldg
Birds — Bird Cages & Food	Base Bway Bldg
Blankets	6th fl Bway Bldg

Blouses

Misses & Women's	3rd fl Bway Bldg
Girls'	4th fl Bway Bldg
Boys'	4th fl 7th Ave Bldg
Bon Voyage Baskets	8th fl Bway Bldg
Book Ends	St fl Bway Bldg & 8th fl Bway Bldg

Books

Boudoir Shop	St fl Bway Bldg
Boys'	7th fl Bway Bldg

Clothing

Clothing	4th fl 7th Ave Bldg
Furnishings	4th fl 7th Ave Bldg
Shoes	4th fl Bway Bldg
Brassieres	2nd fl Bway Bldg
Brassware	8th fl Bway Bldg
Bride's Shop	3rd fl Bway Bldg
Bridge Furniture	5th fl Bway Bldg
Buttons	St fl Bway Bldg

C

Cameras & Photo Supplies	5th fl Bway Bldg
Camp Department — Seasonal	

Boys'	4th fl 7th Ave Bldg
Girls'	4th fl Bway Bldg
Camp Equipment	5th fl Bway Bldg
Candies	St fl Bway Bldg
Candles	7th fl Bway Bldg
Canes	St fl Bway Bldg
Carpets & Rugs	7th fl 7th Ave Bldg
Cash-Time Office	4th fl 7th Ave Bldg
Cedar Chests	7th fl Bway Bldg
China	8th fl Bway Bldg

Cigarettes

Cards & Tins	St fl 7th Ave Bldg
Package	St fl Bway Bldg

Cigars & Tobacco	St fl Bway Bldg & 7th Ave Bldg
	St fl Bway Bldg & 7th Ave Bldg

Clocks

Kitchen & Alarm	8th fl Bway Bldg
Closet Accessories	Base Bway Bldg & 7th fl Bway Bldg

Closet Shop	.....
Clothing	.....
Men's	.....
Women's	.....
Boys'	.....
Girls'	.....
Infants'	.....
Coats	.....
Men's	.....
Women's	.....
Boys'	.....
Girls'	.....
Infants'	.....
Collars	.....
Men's	.....
Women's	.....
Boys'	.....
College Shop	.....
Corner Shop	.....
Corsets	.....
Costumes	.....
Costumes — Manu	.....
Crockery & Glassw	.....
Curtains & Currai	.....
Cushions	.....
Cutlery — Kitchen	.....

D

Debutante Shop	.....
Decorative Access	.....
Delicatessen	.....
Depositors' Accoun	.....
Dog Supplies	.....
Accessories	.....
Foods	.....

Medicines

Dresses	.....
Women's & Miss	.....

Girls'

Infants' & Child	.....
House	.....
Dress Materials	.....
Drugs	.....

E

Electrical Equipme	.....
Eye Glasses — E. I	.....

F

Fabrics	.....
Dress	.....
Upholstery	.....
Films & Photo Sup	.....
Fireplace Fixtures	.....
Flowers	.....

Decorative

Accessory	.....
Frames	.....
Furnishings	.....
Men's	.....
Boys'

Furniture

Garden & Lawn
Kitchen
Nursery
Unpainted

Furs

Fur Storage
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G

Galleries, Macy
Games
Adult
Children's

Garden

Furniture
Flower Seeds & season
Tools & Supplies	.....

Gift Shop

Girls'	.....
Accessories	.....
Clothing	.....
Underwear	.....
Glasses — Eye	.....
Industrial & Spo	.....
Opera	.....
Glassware	.....
Kitchen	.....

INFORMATION CLERKS OR SERVICE MANAGERS WILL BE GLAD TO HELP YOU

STORE DIRECTORY

This is a part of one page of a two-page directory listing all of the lines carried in this store.

tomter was sent to the trimmings department on the first floor where the braided gold cord was finally found. The customer would have been saved unnecessary annoyance and much time had she been directed properly to the trimmings department in the first place.

The salesperson may learn rather quickly the location of the principal departments and of the elevators, escalators, and rest rooms, but he is not able to answer all of the customers' questions until he knows where items that possibly might be in two or more departments are actually to be found. He should be particularly careful to know the location of goods that have been advertised in the paper by the store on that day and the location of items that are displayed in the windows.

Should the salesperson fail in his duty to direct customers through his lack of knowledge or by his discourteous replies, customers are likely to walk out without buying. Many salespeople are obviously annoyed when customers ask questions, but they should remember that the customer is really the one who pays their salary. Every effort should be made to please and to satisfy customers. Without customers there would be no sales and no profits and the store would have to go out of business. Stores spend a great deal of money advertising merchandise that has been advantageously bought by expert buyers; but the whole effort may be wasted if the salesperson does not know what is advertised or if he misdirects a customer.

Salespeople in large stores sometimes become familiar with the locations of the offices and selling departments of their store by making trips through the store during lunch hours or at other times when they are off duty. Salespeople should read the bulletin boards near elevators each day in order to learn what is being advertised. Many stores have a store directory indicating the location of every type of merchandise handled and of different offices. This should be studied and should be thoroughly understood by the sales force. Salespeople must also be prepared to explain to customers the store system of exchanges, deliveries, store services, and adjustments.

Directions to customers should be given courteously and accurately. A customer should never be directed unless the salesperson is sure he is right. Directions should be given clearly, so that the customer will understand every word. A salesperson who was asked the location of the shoe department replied, "Two aisles over, through the arch, and toward the front." If the customer were very familiar with the store, he might be able to find the department. The customer would have been better served if the salesperson had said, "Please turn left here and walk ahead until you go through the arch, then turn left again to the shoe department. Mr. Williams will be glad to serve you."

Miscellaneous Duties of the Salesperson. When a special bulletin is issued by a store or a meeting is held, the salesperson should feel that it is his duty to read the bulletin or to attend the meeting. Bulletins and meetings are planned so that the salesperson can do better work.

In many stores the salesperson is also required to handle complaints and to make adjustments. This duty requires tact, patience, and understanding. He should be thoroughly familiar with his merchandise and with store policies so that he will know what adjustments can be made. A kind word will often disarm an angry customer; and a courteous salesperson may not only make a satisfactory adjustment, but an additional sale. If handled properly, complaining customers may become regular satisfied customers.

Preventing Waste and Losses

How valuable a salesperson is to a store may be judged not only by the amount of sales he makes, but also by his ability to keep store expenses down. Each salesperson has many opportunities to prevent store waste and losses. The chief ways are listed on the chart on page 305.

Economy in Supplies. The salesperson should, of course, be careful with the use of supplies. Pin tickets, rubber bands, pencils, paste, tissue paper, boxes, and printed forms cost money. The store must pay for them. When customers see salespeople waste supplies, they get a poor impression

HOW THE SALESPERSON CAN PREVENT LOSS

Handle goods carefully.

Keep goods in proper place.

Keep goods clean.

Avoid wasting supplies—pencils, paper, twine, lights, etc.

Be careful not to damage furniture and fixtures.

Avoid overselling, which leads to complaints and returns.

Avoid careless selling, which leads to complaints and returns.

Write all sales checks accurately.

Measure and weigh accurately.

Arrive on time and make effective use of time on the job.

of the store, for they know that the cost of supplies must eventually be covered by the prices they pay for goods.

Care should also be taken of store furniture and equipment. The proper use of showcases, tables, measuring machines, and other equipment will help the store get the most out of its investment in such articles.

Returns. Indifferent salesmanship is responsible for a large percentage of merchandise returns. When a customer returns goods of wrong size or color because the salesperson failed to sell her the right type of article, the costs of selling, wrapping, and delivery automatically go up. In many instances the returned merchandise is damaged or soiled so that only drastic markdowns will sell it. The salesperson can do much to keep the loss from returned goods at a minimum. He should be sure that the merchandise is right for the customer's needs and that the customer is satisfied to buy and is not taking the goods merely to avoid the embarrassment of refusing to buy. He should never volunteer the suggestion that merchandise be taken home and be returned if it is not suitable.

An error in recording the street address on sales checks or writing so poorly that the name or the address cannot be readily understood may result in the goods not being delivered promptly, if at all. Besides the additional de-

livery and bookkeeping costs of this type of error, the store incurs the dissatisfaction of customers.

Measurements. Another loss that salespeople can prevent by diligent attention is the loss due to inaccurate weights and measurements. It is a poor policy to give less than the amount asked for by the customer. If a customer pays for one pound of candy, she should receive just one pound—no more, no less. To give more than two yards of silk when the customer asked for just two yards often takes all the profit from the sale. Honest dealing calls for accurate weight and measurement.

Attendance. When the salesperson is tardy or irregular in his attendance, the store loses money. There must be no waste of time. It is the duty of the salesperson to get to his place on time and to make effective use of his time on the job. A habit of punctuality is a fine quality for a salesperson to develop. Besides losing face with his employers, a habitually tardy employee is likely to lose his job.

Summary

This chapter presented the personal selling activities in stores as distinct from nonpersonal selling activities. The store's profit depends to a marked degree upon how well the salesperson performs the selling function and the duties closely related to it. A store may be bright, clean, well-stocked with good merchandise that sells at reasonable prices, and yet may lose money because of discourteous or inefficient salespeople. The salesperson's salary depends mostly upon the selling service he renders. If a salesperson knows his goods, knows and understands human needs and wants, and understands how to satisfy them, he will be able to sell merchandise.

If at the same time he attends to stock, assists the merchant or the buyer as requested, handles the routine of completing a sale properly, directs customers correctly to other parts of the store, and does his share to reduce waste and loss, he will make himself indispensable to the store.

VOCABULARY

Study the following words. Try to make them a part of your vocabulary.

Adjustment—A settlement of a customer complaint.

Clientele—A body of steady customers who keep coming back to a store because they are satisfied with its merchandise and service.

Returns—Merchandise that is brought back by the customer after a sale has been made.

Selling system—The routine of completing a sale, such as writing the salescheck, giving change, and wrapping the package.

Stockkeeping—A duty of the salesperson whereby he keeps stock protected and in order, and reports to the manager the replenishments that are needed.

QUESTIONS ON THE CHAPTER

1. How did the duties of William Jones in the department store differ from his duties in the grocery store?
2. *a.* What is the most important duty of a salesperson?
b. How may the salesperson prepare himself to sell successfully?
3. *a.* How was selling regarded years ago?
b. How much did the salesman know about his merchandise?
c. What kind of salesmanship did the salesman of years ago use?
4. *a.* Why are stores seeking salesmen of high integrity today?
b. What agencies have helped to make the average customer a well-informed individual?
5. Why should the salesperson look upon selling as a form of service?
6. *a.* What are some examples of questions that customers might ask about merchandise?
b. How may a salesperson school himself to answer questions about merchandise?
7. What should a salesman study about the customer?
8. *a.* How may a salesperson make regular customers for his store?
b. Why should a salesperson learn his regular customers' names?
9. What is meant by a *selling system*?
10. *a.* What are the various duties connected with stockkeeping that a salesperson is supposed to attend to?
b. What is meant by *housekeeping* in a store or a department?

11. a. What is meant by *merchandise control*?
b. If there is a reserve stock room, what is a salesperson supposed to do every night?
c. If there is no reserve, what is a salesperson supposed to do once a week?
d. What is a salesperson supposed to do once a month regarding slow-selling goods?
e. How may salespeople assist in the purchase of new articles?
12. a. How may a customer's goodwill depend on the salesperson's ability to direct the customer properly?
b. Why should a salesman be especially careful to know the location of goods that have been advertised in a paper or that are displayed in the store windows?
c. What may happen if a salesperson fails to direct a customer because of his lack of knowledge?
13. How may salespeople in large stores become familiar with the location of offices and selling departments?
14. What is meant by giving "clear directions" to customers?
15. What are some of the miscellaneous duties of a salesperson?
16. What are the chief opportunities that a salesperson has to prevent waste and loss?
17. What may customers think when they see supplies wasted?
18. What can a salesperson do to keep the loss from returned goods at a minimum?
19. Why should a customer not be given more than he pays for?
20. Why should a salesperson avoid being tardy or irregular in attendance?

PROBLEMS FOR DISCUSSION

1. Should the customer be treated as though he were "always right"? Why?
2. A man entering a hardware store found two salesmen waiting on customers. He waited patiently a couple of minutes until one of the salesmen would be free. Before either salesman was free, a woman entered the store, stepped over to one of the salesmen who was demonstrating several lawn mowers to his customer, and said, "I am in a big hurry. Could you let me have a 100-watt bulb at once?" The salesman said, "I'll be back in a minute" to his customer, who was looking at lawn mowers, and gave the woman the bulb. At this point, the man who had been patiently waiting for one of the salesmen to be free left the store and went to a competing store. What is your opinion of the way this situation was handled?

3. An automobile owner entered the accessories salesroom in the front of a garage and asked for a certain part. The man who seemed to be in charge of the salesroom said, "You'll have to see Sam about that. He looks after the parts. I just attend to the gas and oil." The customer, who was a stranger, asked, "Where is Sam?" "Back in the garage," answered the employee. The customer went back in the garage where he found six men working and talking. None of them paid any attention to him. Finally he had to ask which was Sam. Discuss this situation.
4. In measuring a yard of gingham, the salesperson overmeasured by 2 inches. What percentage of loss did the store suffer?
5. A customer entered a chain grocery and walked to the coffee counter. The salesperson in charge was busy examining a new price list just received from the chain headquarters and paid no attention to the customer. She finally asked, "May I have some coffee?" The salesperson replied, "Just a minute," and continued looking at the price list. What is your opinion of this salesperson's action and attitude?
6. It is stated in the text that salesmen have more to do with building up a retail business than the advertising department, the merchandising department, or the credit department. Explain this statement.
7. How do you explain the relative rank of the factors that influence customers while in the store and the factors that influence the customer's return to the store, as shown in the table on page 297?
8. Why is stock work done in the presence of the customer disrespectful?
9. It is stated in the text that indifferent salesmanship is responsible for a large percentage of merchandise returns. Explain how this is so.

THINGS TO BE DONE

1. Your teacher will appoint you and other members of your class as a committee to interview a salesman in one of the following stores:
 - a. Independent grocery.
 - b. Butcher shop.
 - c. Jewelry store.
 - d. Drugstore.
 - e. Shoe store.
 - f. Men's furnishing store.
 - g. Hardware store.
 - h. Confectionary store.
 - i. Bookstore.
 - j. Bakery.

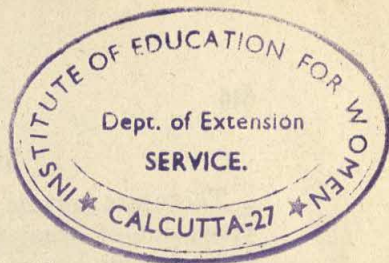
Ask the salesman for five questions that are frequently asked about his merchandise by customers. Report to the class as a whole. Are there any questions that are asked about all kinds of merchandise?

2. At the time you are interviewing the salesman in accordance with the preceding directions, inquire about the main non-selling duties he or she has to perform. Report to the class as a whole. Are there any nonselling duties that all salespeople, regardless of the kind of store they work in, are asked to perform?
3. *a.* List five kinds of stores in which merchandise is weighed or measured by salespeople.
b. List five kinds of stores in which there is little weighing or measuring and goods are sold by count only.
4. Write a description of a display you have seen that showed the goods in use.
5. Write a description of a display you have seen that showed goods in connection with related goods.

WHAT WOULD YOU DO IN THIS CASE?

The one regular salesman in a garden shop was so busy in bedding down evergreens that he didn't want to be bothered answering customers' questions. He referred all customers to two high school extras that had just been assigned to the department. He told the customers that they knew all the answers. Of course, this was not the case, and the students were very much embarrassed.

If you were one of these students, how would you handle the situation? Would you remonstrate with the regular salesman? Would you tell the customers that the regular salesman was playing a joke on you? Would you pretend to know, even if you gave misinformation? Or what would you do?



CHAPTER XV

SELLING IS AN ART

Selling Technique

A traveling salesman was boasting to a retail salesman about what he claimed was his superior job.

"Why," he said, "you are nothing but an order-filler. You just hand out goods to customers who want them, whereas I'm a real technician. I have to influence people to buy what I have to sell. This requires a knowledge of psychology, plus skill in persuasion."

But the retail salesman won the argument as follows:

"You select your own customers and prepare yourself to meet each one; I have to adjust myself quickly to anyone that comes in. You can use a planned presentation; with me, each sale is different and I have to be resourceful. You can persuade, since the customer expects you to try to sell to him; but I can only assist—any persuasion has to be most subtle or my customer will resent it. You can specialize in a few products; but I have to be an expert in many. Your customers are mostly professionals who know what they want; but mine are consumers who often have not defined their wants clearly even to themselves. You work in favorable surroundings; whereas I have to get the customer to concentrate in the noise and bustle of the store."

There is nothing secret or mysterious about salesmanship, but it does require at least four qualities:

- (1) an attitude of service and interest in the customer's problem.
- (2) an understanding of human nature.
- (3) a thorough knowledge of merchandise.
- (4) the ability to practice the special skills involved in the "technique of selling," which is described in this chapter.

Steps in Retail Selling

There are certain well-defined steps in a sale. From the viewpoint of what the salesman must do, a sale has the following six steps:

- (1) Getting ready to meet the customer—called the pre-approach.
- (2) Opening the sale.
- (3) Determining the customer's wants.
- (4) Presenting the goods.
- (5) Answering questions and objections.
- (6) Closing the sale.

From the viewpoint of the customer and how he is affected by the sales talk, a sale has only four steps, called the psychological steps, as follows:

- (1) Gaining the customer's favorable attention.
- (2) Stimulating his interest.
- (3) Creating desire for the goods.
- (4) Inducing action.

When the two sets of steps are considered together, it is found that the customer's attention is gained during the opening of the sale and while the salesman is determining the customer's wants. The customer's interest is stimulated while the salesman is presenting his goods. The customer's desire for goods is also created while the salesman is presenting his goods and answering the customer's questions and objections. And the customer is naturally induced to act when the salesman closes the sale.

The four psychological steps are not disconnected; as a matter of fact, the four steps merge into one another. Thus it is difficult to tell where attention ends and interest begins, or where interest ends and desire begins.

Of course it must be remembered that one or more of the steps may have been accomplished before the sale is opened. Thus a customer's interest in goods may have been aroused before he enters a store. He may even have a desire for the goods created by reading an advertisement or by hearing a friend describe the goods. Then all the salesman has to do is present the goods and close the sale.

The Preapproach

Even before the customer enters a store, the salesperson should prepare himself and his surroundings to make a favorable impression. It is frequently possible to learn the names and the characteristics of many of the store's customers. If he can call the customer by name or show a personal interest, the salesperson has made a good start.

A SUCCESSFUL RETAIL SALESMAN'S PREAPPROACH

1. Neat appearance of self and working floor.
2. Appealing displays of merchandise.
3. Knowledge of what is in stock and where it is.
4. Knowledge of newspaper advertisements of the day.
5. Memorizing of names, background, and interests of specific customers.
6. Five or six selling sentences prepared for most popular items.

The salesperson should look at every sale as a preapproach for the next one. He should store away in his mind the name of the customer and any other facts about the customer's home or personal characteristics that will help him in greeting and serving the customer when he comes in again. When time is available, it is a good plan to keep a notebook in which facts about each customer are written down.

Since all customers respond to neat and attractive surroundings, attention should be given to the physical appearance of the store and of the salespeople. The impression of the surroundings and of the salesperson that the customer first obtains will have an important bearing on his mental attitude during the conduct of the sale. All the features of building, equipment, lighting, and layout discussed in Chapter VI should be frequently checked, and the merchandise should be kept clean and neatly arranged.



LEARN THE LOCATION OF YOUR STOCK

A shoe department, such as this, has a very large stock. The first duty of a new salesperson is to learn the location of all types, colors, materials, and sizes of shoes.

Knowledge of Stock. The salesperson must of course know his stock thoroughly so that he can select and can produce promptly the merchandise best adapted to the needs of his customer. He should know, without looking through his merchandise each time he is asked, what sizes are available in each style of merchandise that he sells. He must know the range of prices and the relative attractiveness of the various grades of goods. He should know the general uses to which his merchandise may be put and the special fitness of the various grades for these uses. He should know the location of his merchandise so that he may be able to produce very quickly the article desired. A minute of waiting seems like five to the customer who has no merchandise before him, and such a customer is likely to walk away before the clerk can locate the merchandise he desires.

A great aid to the salesperson in learning and locating stock is a logical and simple stock arrangement. The principles of arrangement that successful stores follow was presented in Chapter XII.

Opening the Sale

Time of Approach. Just when to approach a customer who enters the store depends upon the type of store and the customer's attitude. In smaller stores and those handling convenience goods the customer generally wants prompt attention. In big stores, especially those carrying shopping goods, he may like to look around awhile before being approached. In self-service stores he may not expect to be approached at all.

The time to approach the customer in a store is when he seems to be ready to be shown merchandise or to be given information about it. Careful observation of every person who enters a store or a department, coupled with experience, will develop in the salesperson the art of approaching at the right time.

One of the most irritating things that a customer has to endure is to have to wait for service in a store in which there are salespeople who are not busy with other customers. People are usually willing to wait a reasonable length of time in a busy department in which all the salespeople are exerting themselves in caring for the wants of customers. But they resent having to stand around while employees arrange stock, add their tallies, balance their cash, fix their hair, visit with customers, carry on unnecessary telephone conversations, or gossip with other employees. The business of the store is to sell goods, and every other activity should give way at once to the function of serving customers.

Almost as objectionable as keeping the customer waiting is forcing one's self on a customer when he is passing through a department. To *rush* after him calling, "Can I help you?" is inexcusable; yet it is frequently done. To pounce on a customer the moment he pauses before a display is equally irritating.

The Welcome. The approach of the salesperson should always indicate to the customer that he is welcome, that he is not intruding or interrupting other duties, and that it is a pleasure for the salesperson, as host and representative of the store, to receive him. The specific act of approach of the salesperson, whatever it may be, should definitely indicate to the customer: "I am at your service and have no other thought than to help you to solve your shopping problem to your entire satisfaction."

Greeting the Customer. A welcome generally requires a greeting. There is probably no one correct form of greeting, since it will vary with the kind and grade of store, with the merchandise sold, and with the degree to which the customer and the salesperson are acquainted. The latter should always give some thought to his greeting and should select that which seems most appropriate, rather than fall into the habit of greeting everyone in the same mechanical way. The greeting, "What's yours?" seems, at first thought, exceptionally curt; but if given by a young lad selling soft drinks at the busy stand in a baseball field to a boy of twelve years, it might be the one that would make the youthful buyer feel most at ease.

The form of greeting that is probably used more than any other and that is acceptable if not overworked is, "May I help you?" or "May I be of assistance to you?" This type of greeting tends to put the customer at ease, shows the salesman's attitude of helpfulness, and does not emphasize the desire of the salesman to sell goods or intimate that the visitor is expected to buy.

Another greeting that receives the general approval of both skillful salespeople and customers is the simple, courteous, and cordial "Good morning" or "Good afternoon." A large majority of those who enter a store have either a definite want or a problem to be solved, and the salesman can use this greeting in such a way that it becomes an invitation to the visitor to make known his want or problem. Only on rare occasions will it be necessary for the salesperson to question the customer regarding his wants; the customer will express them in response to the greeting.

Other greetings that are frequently used are: "Was there something you wanted?" "Are you looking for something?" "Something in ties?" "Can I interest you in some stockings?" "May I show you some of our new laces?" These may be classed as foolish questions since they are meaningless and are worn threadbare. Customers do not like such questions; moreover they do not produce results.

Merchandise Approach. When, before the approach, a customer is already showing some interest in goods on display, it is a good plan to have the approach take the form of an interesting fact or selling point about the goods instead of a greeting. This is called the *merchandise approach*. For example, if a customer is examining some towels, the salesperson may approach and say, "The fine

THE MERCHANDISE APPROACH

Instead of greeting the customer formally, this salesgirl is approaching her with a comment about a new article.



grade of cotton used in those towels makes them especially soft." Such a statement gives a specific fact that adds to the customer's knowledge concerning the goods and presents a definite reason why she should purchase.

QUALITIES OF A GOOD APPROACH

1. It is prompt.
2. It is friendly and courteous.
3. An interested tone of voice is used.
4. Varied phrasing is used.

Courtesy. While the words at the opening of a sale are very important, the manner in which they are spoken is of even greater importance. Even "Good morning" can be said in such a gruff way that it seems more like a growl than an invitation to the visitor to make his wants known. Since selfishness is usually at the root of discourtesy, the salesman should cultivate an interest in other people and their problems. His attitude of mind must be cordial. He should develop a quality of voice that is warm and affable rather than cold and repellent. He should practice courtesy in his everyday life—in and out of the store—until it becomes second nature to him.

Courtesy demands that the salesperson have a genuine interest in the customer's problem, that he give the customer undivided attention, and that he express respect for her. Respect involves attention to the customer's comfort, such as relieving her of bundles or finding her a seat. It involves addressing the customer properly. The use of the customer's name is best if the salesperson knows it from previous experience. Otherwise *Madam* and *Sir* are appropriate forms. The terms that should be avoided are *Lady*, *Missus*, *Mister*, *Honey*, *Dearie*, and *My Dear*. Respect also involves the avoidance of any embarrassment, such as would result from correcting a customer if she mispronounces the name of an article.

Determining the Customer's Wants

A customer may be one of three definite types:

- (1) He may be decided, knowing exactly what he wants, and probably asking for it without delay.
- (2) He may be undecided, knowing his need for an article of a general class but not having made up his mind to such details as price, color, or material.
- (3) He may be a "looker," feeling no immediate need to buy but exhibiting an interest that the salesperson may be able to change into a desire that may lead to a sale.

The Decided Customer. If the salesperson has in stock the article specified by the decided customer, the only problem is to present it quickly. When the article is not in stock, the problem is much more difficult and calls for a compromise. Many salesclerks shake their heads sorrowfully when asked for a brand the store does not carry, for a style not in stock, or for a size that is just sold out. Their proper attitude, however, should be that they do have something in stock that will probably fill the customer's fundamental need, even though it is not exactly what was asked for. The woman who asks for a "dress just like one illustrated in *Vogue*, in burgundy, size 38," is really interested in finding a dress that is both becoming to her and in fashion. She is hopeful that the dress illustrated may accomplish both these things; but it is really much more important that she find a dress she will be delighted to wear than that she buy that particular dress. In all probability there are a number of dresses in stock that are just suited to this customer. It is the salesperson's duty to show them, admitting they are not what the customer inquired about but showing that they are equally, if not even more, desirable. To do less is a disservice to the customer. It forces her to look elsewhere. Even if she finds exactly what she had in mind in another store, there is no assurance that it will satisfy her needs as well as a dress now in stock. To help the customer solve her buying problem is an important service the salesperson can give.

Of course care must be taken not to force a customer. If a customer asks for X brand and you do not handle it, it is wrong to disparage it and insist that the Y brand, which you do carry, should be purchased. But it is wise to say something like this: "While we don't carry the X brand, let me show you what we have. Although the brand you asked for is good, our buyer has decided to carry the Y brand because it represents the best value for the money that he can find in the market; note the sturdy construction." To get the decided customer to make such a compromise and actually to gain by it is the essence of the art of salesmanship.

The Undecided Customer. The following dialogue recently took place in the men's shoe department of a high-grade store:

Salesperson: "Is there something I can do for you?"

Customer: "I would like to look at a pair of shoes."

Salesperson: "Come right this way. What kind of shoes do you want?"

Customer: "I don't know. I would like to see what you have."

Salesperson: "How much did you want to pay?"

Customer: "I don't have any idea how much they cost."

Salesperson: "I will show you several different styles. What size do you wear?"

Customer: "I don't know. I never do remember my exact size."

Is it any wonder that after being embarrassed three times by having to admit that he could not answer the salesman's questions, the customer was about ready to try another store where a higher grade of salesmanship was used? Firing a barrage of questions at the customer is the method that the lazy salesperson uses to get a definite idea of the kind of merchandise wanted. The skillful salesperson asks as few questions as possible at the opening of the sale, and those that are asked are selected with the greatest care.

Although time can sometimes be saved by questioning the customer, such questioning is always done at the ex-

pense of his comfort and ease, and sometimes forces him to commit himself rather hastily on a point concerning which he is not fully informed. Having once declared himself, he may prefer to shop in another store rather than admit to the salesperson that he has changed his mind. The salesperson in a dress department, for example, asks a customer if she has any particular color in mind for the dress she wishes to purchase. Up to the time the question is asked, the customer may have an open mind regarding the color, but on being asked the question replies, "Yes, brown, please." If the exact shade of brown that pleases the customer cannot be found, it is often difficult to interest her in any other color. Her answer is the result of a hasty decision, and the decision itself is made without sufficient facts on which to base her choice. The salesperson would have done far better had she delayed her inquiry until she had shown several dresses, thus giving the customer something very definite on which to base her decision.

The Looker. Since the looker's wants are not yet defined and since he is not planning to buy now, the best rule is to encourage him to look around. When goods are well displayed, this is often best accomplished by leaving him alone. The merchandise will talk to him far more convincingly than the salesman can.

When the looker stops to inspect an article, however, it is often wise to use the merchandise approach—to say something of interest about the article or to demonstrate it. If the looker's interest seems sufficiently aroused, he can then be handled in the same manner as the undecided customer. If the salesman senses that the customer is not ready to buy, he should nevertheless show just as much merchandise as the customer is willing to look at.

With intelligent handling, many lookers may change their minds and may decide not to defer purchasing.

Questions as to Uses of Goods. One type of question that may always be asked if the customer does not volunteer the information is that covering the use to which the goods are to be put or the purpose for which they are wanted.

"Is this necktie to be worn by a young man or an elderly man?" may very properly be asked by a salesman when a woman wishes to look at a necktie. In selling shoes the salesman may well ask whether the shoes are wanted for sport wear, for walking, for dancing, for business, or for house wear. The furniture salesman, upon being requested to show a customer some tables, would naturally ask for what kind of room the table was wanted, whether it was a large or a small room, and what kind of furniture was in the room. One or two such questions may often be asked without giving the customer the impression that he is being put through an examination, and they will aid the salesman in showing the right goods. Often, however, even such questions as these may best be deferred until the customer has had a chance to look at the merchandise on display.



PRESENTING GOODS—THE WRONG WAY

The salesman shows little desire to serve the customer and is overlooking the need for a demonstration of the article in which the customer is interested.

Presenting the Goods

There are four ways to present merchandise to a customer: (1) display it; (2) demonstrate it; (3) have the customer handle it; and (4) talk about it. Of course all of these may be done in a single presentation.

The purpose of the presentation is to turn the customer's interest into desire, that is, to help the customer determine which of the articles presented will best fit his buying need. Goods are sometimes sold without sufficient desire having been developed. The salesperson sometimes brings pressure to bear so that the customer feels obliged to buy merchandise to avoid incurring the salesperson's ill will or provoking his sarcasm. Such a process of disposing of merchandise should not be dignified with the name of salesmanship, for if a full and free desire for the goods does not exist, satisfaction is not likely to follow.



PRESENTING GOODS—THE RIGHT WAY

The salesman now shows pleasure in serving the customer and in giving him an opportunity to handle the merchandise in which he is interested.

Displaying Goods. Care should be taken to show goods to the best advantage. They should be displayed in the best light possible and in suitable surroundings. The background should enhance the value of the merchandise, and everything that tends to detract from its value should be removed. Thus a piece of jewelry should be handled carefully and perhaps should be placed on a piece of black velvet to express an appreciation of its value and to bring out its most attractive qualities. Likewise in showing hosiery the salesperson may insert her hand inside a stocking so that the customer can see the fine construction and how the color will look when worn.

Although the tactful salesperson will not attempt to ascertain the customer's wants by asking a series of questions, it is necessary for him to get as much information as he can about the type of goods that may be attractive to the customer. He can generally do this by showing some of his merchandise and by closely observing the customer's reaction. Of course he should be guided in his first selection of goods by his estimate of the customer's standards. Thus by observing the customer as he approaches and makes his wants known, the salesman can get an idea of the uses to which the goods are to be put and the appropriate style, color, quality, size, and price of goods he should display. A common plan is to show a medium-priced and a more expensive article together. If the customer shows any hesitancy, a less expensive one is promptly produced.

In every case the salesman should watch for the slightest sign of approval of merchandise if the first article shown does not seem to please the buyer. The facial expressions of the customer and his comments on the various features of the goods, including style, quality, material, and price, should guide the salesperson in the selection of additional merchandise to show him. If several articles are being shown, but the customer's attention continually comes back to one article among them, it is evident that that article possesses some qualities that claim his interest.

Demonstration. Demonstrating is more than displaying. It means showing goods in action, as they would appear in

use after the customer has acquired ownership. It involves showing what the goods will do for the customer or what he can do with them. A salesperson may demonstrate a vacuum cleaner by using it to clean the corner of a rug; a food preparation, by actually preparing it; a cosmetic preparation, by actually applying it; a necktie, by knotting it and holding it in front of a shirt; and a lamp, by placing it on a table like the one the customer has at home.

Customer Participation. Whenever possible the presentation should involve more than passive observation by the customer of a demonstration given by the salesperson. The customer should be encouraged to handle the goods, to taste them, or to smell them—in fact, to act for the moment as their owner. Actually trying on a dress, sitting in an easy chair, operating a mechanical toy, putting a drop of perfume on one's handkerchief, or tasting a piece of cheese—these activities change interest into desire more effectively than displays or demonstrations can alone.

The Sales Talk. During display, demonstration, and participation, neither the salesperson nor the customer remains silent. The salesperson calls attention to certain features of the merchandise. He volunteers information about durability, usefulness, and care that do not appear on the surface, and he answers questions raised by the customer. He appeals both to the reason and to the emotions of his customer—he gives facts and figures about the product itself, and he points out the satisfaction the customer will gain from owning it.

An effective selling conversation requires that the salesman have specialized knowledge about all of the following:

- Uses of the product.
- How it will perform.
- What it is made of.
- How to use it.
- How to care for it.
- Background of interesting facts.
- Competing articles.
- Services available with the product.

Selling Points. Every salesperson should select from his fund of information about each article those points that make it particularly desirable to customers. These are called *selling points*. Thus the chief selling points of a certain blanket may be its warmth, its all-wool content, its light weight, and its large size.

The relative importance of selling points varies with different customers, and the salesperson should make an attempt to select those selling points that will be of major importance to the customer before him. For example, for a society woman the main selling points of a certain dress may be fashion, distinction, and fit. But for a woman not socially inclined and of limited means, the main selling points of the same dress may be price, durability, and becomingness.

Since an entire sales transaction must ordinarily be completed in a few minutes, it is generally desirable to mention the main selling point at the start. Price, however, is an exception. Even when low price is the chief point of interest, few customers buy goods simply because they are cheap. Customers often buy goods emotionally rather than intelligently. They buy because of what the goods will contribute to their wants; there-

fore the chief features that make the goods of value to the customer should be stressed first. When the low price is mentioned later, the goods are more likely to seem like a real bargain.

USING THE RIGHT SELLING POINTS

Selling points vary with different customers. Women are not often interested in the mechanism of a washer; hence the salesman is stressing the fact that the washer does not harm articles washed.



Sources of Information. The salesperson may obtain specific selling points about merchandise from the following sources:

- (1) First-hand information from an examination and use of the merchandise. If it is a food product, the salesperson should buy some and try it.
- (2) Customers. They often know more about the uses and the care of merchandise than the manufacturer does.
- (3) The person who bought the goods for the store. He must have had some reason for buying the goods in preference to others.
- (4) Older salespeople in the department.
- (5) The person who sold the goods to the store. Traveling salesmen have a vast fund of valuable information about the things they sell.
- (6) Manufacturer's circulars and booklets. If these do not give the information wanted, the manufacturer can be written to.
- (7) Testing bureaus that report the composition, construction, and durability of articles.
- (8) Informative labels, prepared either by the manufacturer or by the store and attached to the goods.
- (9) Newspaper and magazine advertisements.
- (10) Articles in trade papers.
- (11) Technical books.
- (12) Exhibits.
- (13) Courses for salespeople in textiles, nontextiles, or food.
- (14) Shopping trips in competing stores.

No customer is likely to develop a consuming desire for merchandise that is presented in a halfhearted way. On the other hand, the enthusiasm of the salesperson helps to bring about conviction in the customer's mind. No one, however, can become enthusiastic about something of which he has meager knowledge; in fact enthusiasm both on the part of the salesperson and of the customer comes only as the result of a complete knowledge of the goods.



THE SALESMAN MUST KNOW HIS GOODS

The salesman can be enthusiastic about his goods and help his customer to select the right goods only when he has complete knowledge of them.

Confidence. Merchandise information is of little value in promoting a sale unless the salesperson has been able to secure the confidence of the buyer. A customer who has confidence in the judgment and the honesty of the salesperson, as well as in his knowledge of his goods, will seek the latter's advice. In order to maintain such confidence, the salesperson must tell the truth about his merchandise at all times. This does not mean that objectionable features of the goods should be magnified, but it does mean that misrepresentation must be avoided. When honest opinions are asked for, they should be given even if the evidence is somewhat damaging to the goods. It is far better to lose a sale than to lose the customer's confidence.

Answering Objections

Objections are usually made by the customer for the purpose of getting more complete information on some point that is not clear. Sometimes they are raised merely to strengthen a decision to buy that the customer has already made. Sometimes they are simply excuses.

Honest Objections. The salesman must try to decide whether an objection is an honest, sincere objection or simply an excuse that is offered to cover up some other unexpressed reason for not purchasing. A bona fide objection should be welcomed by the salesman as an evidence of the customer's interest and as affording an opportunity to make the selling points of his merchandise more clear. He should

never permit himself to be annoyed by objections that are offered and he should never argue or contradict. On the contrary, he should be pleased and should show his pleasure by his attitude or by the use of such an expression as "I am glad you brought that up, for I had forgotten to mention it." An efficient salesman will be familiar with practically every objection to his product that can be offered and will be prepared to overcome each objection.

Here are the most frequent objections encountered by retail salespeople:

"That's more than I want to pay." To meet this objection, the salesman should build up the value of the article by an enthusiastic demonstration and presentation of selling points.

"It's not exactly what I want." The salesman should show something else or should secure the customer's participation. This often convinces the customer that the goods are what he wants.

"I want to look around before I decide." The salesperson should agree with the customer but should suggest that he look at additional goods before he leaves.

"I don't like that kind." The salesman should find out *why*. The current model may not have the defects of the old model, or the customer may not know how to use the new model.

Excuses. Some reasons that are stated for not buying should be accepted at their face value, but others are merely excuses that the customer gives because he does not want to state his real reason for not buying. Objection may be made to color, when as a matter of fact the price is too high. Frequently the customer insists on thinking it over because he has actually not been completely sold on some quality of the merchandise. It requires the keenest observation to determine whether the objection offered is the real reason for not buying. If the salesman decides that he has been given a mere excuse, he must use all his ingenuity to discover the real obstacle to the completion of the sale. An honest objection is a help to the salesman, but an excuse or an unexpressed objection may kill the sale.

How to Meet Objections. Perhaps the best method of meeting an objection is to turn it into a selling point whenever possible. A customer says, "I am afraid this refrigerator is not large enough." To this the salesperson answers, "Yes, it does occupy a small amount of space, but that is the feature that makes it so attractive."

METHODS OF MEETING OBJECTIONS

1. "Yes, but . . ."
2. Turn objection into selling point.
3. Show superior point to overcome objection.
4. Anticipate and answer unvoiced objection.
5. Use comparison method.

A second good method of meeting an objection is to agree courteously with the customer in order to show her that you see her point of view and then to lead her to see that, when all the facts are known, the objection is not valid. This is the "Yes, but . . ." method of answering. The salesman replies to an objection offered by the customer, "It might seem that that would be true, but you will notice"

A third good method of handling an objection admits the validity of the objection but proceeds to show that the satisfaction derived from the merchandise will far outweigh the slight disadvantages that the customer points out. For example, the color of a traveling bag may not be the most attractive color, but it may be a color that will not show dirt as quickly as the lighter colors.

A fourth possibility is to anticipate the objection even before it is voiced, at the same time turning the objection into a selling point. Thus the salesperson who hands the customer a mop may anticipate the latter's objection as to its light weight by saying, "Don't you think it is very light, considering its size?"

There is a fifth possibility. This is to show the customer another article that does not have some of the selling points of the article under consideration. The contrast often leads the customer to decide in favor of the original article.

VOCABULARY

Study the following words. Try to make them a part of your vocabulary.

Decided customer—One who has a clear picture in his mind as to what he wants and what he is willing to pay.

Demonstration—Showing how the goods will actually be used.

High-pressure selling—Any means used to force the customer to buy before he is ready.

Merchandise approach—Greeting the customer by stating a sales point about the merchandise in which he seems interested.

Preapproach—The preparation a salesperson makes before actually meeting a customer.

Selling points—The features about any item which may persuade a customer to want to own the merchandise.

QUESTIONS ON THE CHAPTER

1. *a.* What are the six steps in a sale from the viewpoint of what a salesman must do?
b. What are the four steps in a sale from the viewpoint of how a customer is affected by the sales talk?
2. *a.* Which of the six steps that must be taken by the salesman help to gain the customer's attention?
b. Which step taken by the salesman helps to stimulate the customer's interest?
c. What steps taken by the salesman help to create a desire for the goods on the part of the customer?
d. During which step taken by the salesman is the customer induced to act?
3. *a.* Why is it desirable to be able to address a customer by name?
b. How may one sale be used as a preapproach for another sale?
4. What knowledge about his stock should a salesman have?
5. *a.* In what kind of stores does a customer generally want prompt attention?
b. In what kind of stores may a customer prefer to look around awhile before being approached?

- c. In what kind of stores may a customer not expect to be approached at all?
6. a. What two forms of greeting are probably used more than any others?
b. Why are these two greetings acceptable?
7. Are the greetings "Good morning" and "Good afternoon" acceptable? Why or why not?
8. a. Why are such greetings as "Was there something you want?" or "Are you looking for something?" objectionable?
b. Why are "Can I interest you in some stockings?" or "May I show you some of our new laces?" objectionable?
9. a. What is meant by a decided customer?
b. What should a salesperson do if an article asked for by a decided customer is not in stock?
c. What attitude should a salesperson take toward a brand that has been asked for by a decided customer but that is not carried by the store?
10. a. What is meant by an undecided customer?
b. Why should a salesperson avoid asking a great many questions of an undecided customer?
11. How may a salesperson handle a looker who stops to inspect an article?
12. a. What one type of question may always be asked by a salesperson?
b. How may a salesperson find out the kind of goods that a customer desires without asking the customer a great many questions?
13. a. What are the four ways to present merchandise to a customer?
b. What is the purpose of the presentation of merchandise?
14. a. What two things should be done so that goods will be displayed to advantage?
b. What may be done in displaying a piece of jewelry?
c. What may be done in showing hosiery?
15. a. How does demonstrating differ from displaying?
b. How may a salesperson demonstrate each of the following:
 1. A vacuum cleaner.
 2. A food preparation.
 3. A cosmetic.
 4. A necktie.
 5. A lamp.
16. a. What is meant by customer participation?
b. Why is it desirable to secure customer participation?

17. What specialized knowledge about his product should a salesman have if he is to carry on an effective selling conversation?
18. *a.* What is meant by *selling points*?
b. How does the relative importance of selling points vary with different customers? Explain with an example.
19. What are fourteen sources that a salesman may use in securing information about his merchandise?
20. How may a salesperson meet the following objections:
 1. "That's more than I want to pay."
 2. "It's not exactly what I want."
 3. "I want to look around before I decide."
 4. "I don't like that kind."

PROBLEMS FOR DISCUSSION

1. Why is the opening of a retail interview so important?
2. To what extent is a salesperson responsible for the first impression that a customer has of a store?
3. What factors should determine the kind of greeting that the salesman gives a customer?
4. Give ten examples of good merchandise approaches.
5. Generally speaking, when should the stock work in a store be done? Why?
6. What particular kind of information about his merchandise may a salesperson secure from his customers?
7. How may the following articles be displayed so as to enhance their value?

<i>a.</i> A layer cake.	<i>f.</i> A silver picture frame.
<i>b.</i> A coat.	<i>g.</i> A dress.
<i>c.</i> A necktie.	<i>h.</i> A dining-room suite.
<i>d.</i> A ring.	<i>i.</i> A man's hat.
<i>e.</i> A table lamp.	<i>j.</i> Cut flowers.
8. How may the following items be demonstrated?

<i>a.</i> A toy train.	<i>f.</i> Cosmetics.
<i>b.</i> Canned soup.	<i>g.</i> An electric iron.
<i>c.</i> Perfume.	<i>h.</i> A fountain pen.
<i>d.</i> A chair.	<i>i.</i> A typewriter.
<i>e.</i> A piano.	<i>j.</i> A pocketknife.
9. Why is it desirable to anticipate and to overcome some objections before the customer has an opportunity to express them in words?
10. What is "high-pressure selling" and why does it not pay?

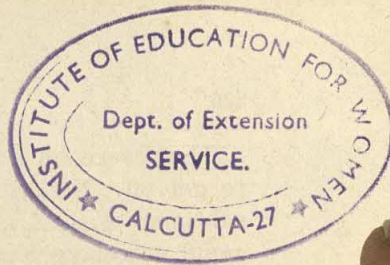
THINGS TO BE DONE

1. Clip from the daily paper two advertisements, each of which gives three or more selling points for the article advertised. On a separate sheet of paper list the selling points used.
2. Demonstrate to the class how a greeting can be used to give a customer a very cordial welcome. Another member of the class will then be asked to show how the same words may be said in a tone of voice that makes them very forbidding.
3. Your instructor will appoint you and a number of other members of the class as a committee to visit a store carrying a narrow line and to study how the stock is arranged. Your instructor will make the arrangements for your visit in advance so that the manager of the store will be expecting you. Make a written report of your findings.
4. List the selling points that you would emphasize in selling each of the following articles:
 - a. A bicycle.
 - b. An electric clock.
 - c. Bottled milk.
 - d. Mucilage.
 - e. Tomato juice.
5. Your instructor will appoint you as a member of a small committee to call on a salesperson or the manager of one of the following:
 - a. Drugstore.
 - b. Men's furnishing store.
 - c. Shoe store.
 - d. Furniture store.
 - e. Millinery store.
 - f. Hardware store.

Inquire as to the objections most commonly encountered. Report to the class as a whole. What objections are found most frequently in all stores?

WHAT WOULD YOU DO IN THIS CASE?

You are the salesperson in the drapery department of a department store. A woman enters the department. She is evidently timid and hesitates near the entrance of the department. What would you do and say to get the woman into a sales discussion regarding her need in draperies? Demonstrate to the class exactly what might occur up to the point where the customer decides to buy.



CHAPTER XVI

COMPLETING THE SALE

A young salesman decided to call at a mountain resort in an endeavor to sell the proprietor some blankets. He prepared his preapproach carefully, investigated his prospect's need for the blankets, and set out on his way. He was able to see the proprietor and began to explain the merits of his blankets.

"These blankets," he said, "are 100 per cent wool. They are bound in strong satin to reinforce the places that get the most wear. The long fibers of the wool insure long life for these warm and fluffy blankets. Sleeping is comfortable under these," he said.

He went on to present a most convincing sales story. The proprietor asked a few questions; the salesman answered them confidently. All progressed very well, indeed. The matter of price was taken up. Deliveries, guarantees, payment—one after another, each point was settled to the satisfaction of both customer and salesman. The proprietor raised no more questions or objections. He was ready to buy.

Then came an awkward pause in the sales conversation; there was really nothing more to say. They sat there, silent, each looking at the other and feeling a little embarrassed. Finally, the salesman began again:

"These blankets are made of 100 per cent wool, you know; and . . ."

"Yes, yes, I know," interrupted the proprietor impatiently.

"The satin binding makes the blanket last . . ."

"You told me that."

"We could deliver within a week to ten days."

"Well, that would be quick enough," agreed the proprietor.

Then there was another lull, and the salesman began again. The same things were said.

They were on a merry-go-round and neither knew how to get off. Neither one knew how to close the sale. The salesman was afraid of his order pad, and the customer could not bring himself to say "I'll take them."

Closing the Sale

The decision of the customer to purchase the merchandise shown by the salesperson and the agreement to accept it on the terms named constitute the *close* of the sale.

In retail selling, especially in high-grade stores, high-pressure methods of closing are not used so frequently as in specialty selling. Customers resent being forced to buy. The salesperson who uses high-pressure methods will soon find his customers going to some other store; or if they return to his store, they will have some other salesman wait upon them. This does not mean that the salesperson is not to take an active part in inducing favorable action on the part of the customer. His attitude should, however, be one of helping the customer to make a wise decision, not of forcing him to buy something that is not suitable but that the store wants to sell.

When to Begin to Close. Customers decide to purchase and they act on their decision only (1) after they have been shown sufficient merchandise from which to make a selection; (2) after all negative ideas have been dispelled and objections have been overcome; (3) when they are convinced that the goods will satisfy their needs better than other goods; (4) when their state of mind is one of approval. As soon as these conditions are brought about, the time has arrived to close the sale. To continue to talk and to advance additional selling arguments gives an opportunity for the customer to change his mind and decide not to make the purchase.

When this time has arrived is not always easy to determine, but a close watch of the customer's facial expression, of his remarks, and of his actions will generally reveal when desire to buy is approaching the action stage.

To guide the customer's mind into this desired state of approval after presenting the goods and meeting objec-

CLOSING THE SALE

The salesperson should center attention on the article that has proved most appropriate and most attractive to the customer. In this picture the customer has shown special interest in this bridal dress and her attention is being centered on it by her trying it on.



Good Housekeeping

tions, it is well to stop showing merchandise, to narrow his possible choice by removing the articles in which he has shown little interest, and to center attention on those articles that have proved most appropriate and attractive to him. The features in which the customer has indicated special interest should be emphasized at this point. They will be strengthened by the salesman's calling them to the customer's attention a second time, and by reminding him of his previous interest in them.

Methods of Closing. One method of closing is to ask the customer a definite question that requires that he make a clear-cut buying decision. "Will you take this pair of shoes?" calls for a "Yes" or "No" answer and is an example of this method.

A second method is to close on a minor point. This means that the salesman may secure a decision on a detail that would naturally follow the main decision to buy. Thus if a customer is examining some hose but is hesitating to act, the question, "How many can you use?" is likely to bring an answer by which the customer implies that he has already decided to buy. Other questions covering minor points that are frequently used are:

"Will one dozen be enough?"

"Will you take it with you or shall I send it?"

"Which color do you prefer?"

"Do you wish them charged?"

"May I have your initials stamped on it?"

METHODS OF CLOSING SALES

1. Ask definite question requiring a yes or no decision.
2. Close on a minor point.
3. Assume a decision has been reached.

A third method of closing is to assume that a decision has been reached and to proceed as if verbal acceptance had been given. The salesperson may remark, "You certainly have selected one of the most artistic sets," thus assuming acceptance of the merchandise.

What Method to Use. The salesperson must remember that people differ greatly in their methods of thinking, in the way in which they arrive at their decisions, and in their manner of acting after a decision has been reached. For this reason *care must be taken to use the close that is appropriate to the customer*. For instance, a person of nervous temperament who is very decided in all his actions is likely to be offended if the salesperson assumes that the sale has been made without a direct and explicit acceptance of the goods by the customer. With this type of customer, the direct question is frequently the best method of closing. On the other hand, the deliberate customer may frequently be aided in coming to a decision by one of the suggestive methods. In any case, however, the salesperson must be sure that he does not seem to force a close before merchandise has been found that is satisfactory to the customer.

Handling Sales Transactions

As soon as the sale has been closed, the salesperson must skillfully complete the mechanics of the transaction. For example, a salesman in a retail store should know the store's routine for writing sales checks, ringing up sales on a register, handling cash, and wrapping packages. Systems vary in different stores and details are best learned after the salesperson is employed.

Simple sales transactions are usually classified in the following manner:

(1) *Cash take.* The customer pays cash and takes the merchandise with him.

(2) *Cash send.* The customer pays cash and has the merchandise delivered by the store.

(3) *Charge take.* The customer has the merchandise charged and takes it with him.

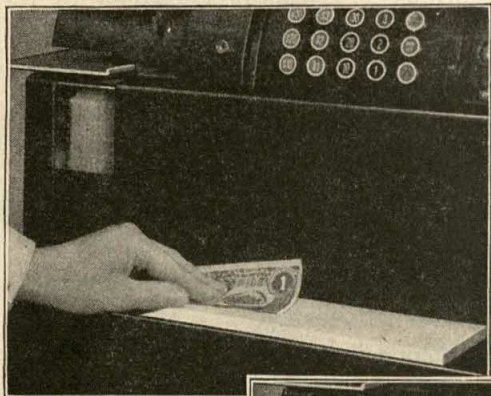
(4) *Charge send.* The customer has the merchandise charged and has the store deliver it.

(5) *C.O.D.* The store collects the selling price when the merchandise is delivered to the customer.

In most large stores there are combinations of these transactions, such as a deposit on a C.O.D. or the lay-away sale where the customer makes a number of cash payments on goods that are held for him until payments are completed. Each store gives its salespeople special instructions with regard to its methods of handling such complicated transactions.

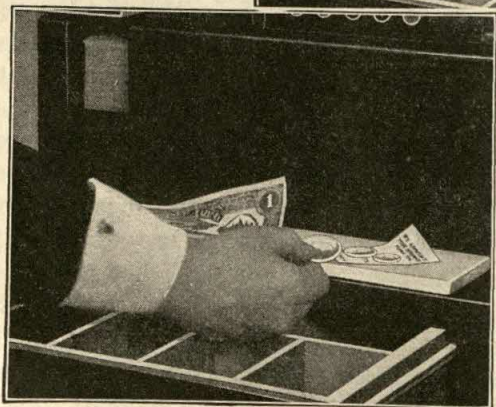
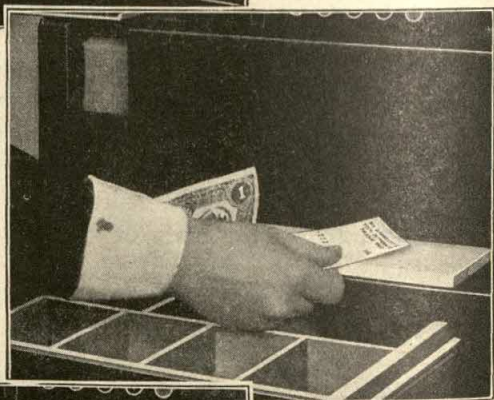
Cash Transactions

Cash-take transactions may be recorded either by means of a cash register or a sales check. If a cash register is used, no sales check is needed except for the receipt that the register usually issues. In cash sales in apparel stores a common practice is to have the price tags take the place of sales checks. A stub is removed as the store's record of the sale. Both the body and the stub of the price ticket are often stamped in the cash register with the amount of the sale and the date. The body of the price ticket provides a form that is used for stock control purposes, and the stub provides the customer with a receipt for his purchase. If the goods are to be sent, a sales check is necessary to provide the name and the address for the deliveryman. This sales check may be stamped in the cash register with the amount of cash received, the date, and the salesperson's number.



Repeat the amount of money received from the customer as "\$1.00," and place the \$1.00 received from the customer on the change plate, just above the money drawer, of the cash register.

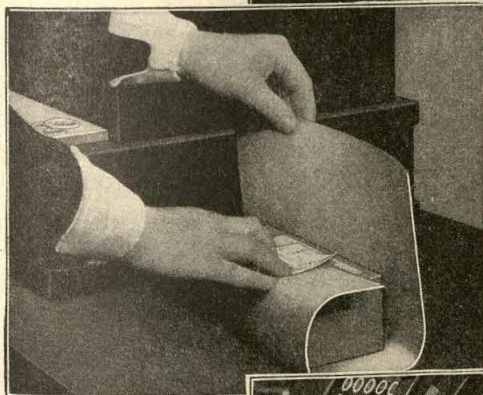
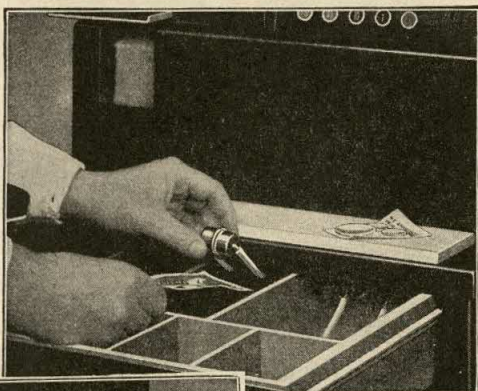
Ring up the correct amount of the purchase. Take the printed receipt from the side of the register. Place the receipt on the change plate beside the \$1.00 bill.



Make change by starting with the 15 cents called for on the receipt and adding one coin at a time, as 25 cents, 50 cents, \$1.00. Never omit the word dollar in counting the money.

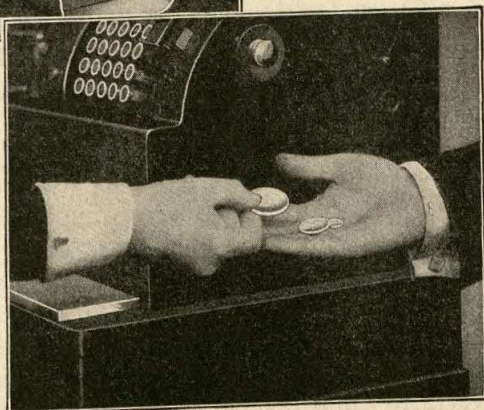
MAKING CHANGE

Place the change on top of the receipt. When the amount called for by the receipt, plus the change, equals the \$1.00 bill, place the bill in the drawer and close the drawer.



Wrap the receipt in the package.

Give the customer the package, counting back the change as it is handed to him; thus, "15 cents, 25 cents, 50 cents, \$1.00. Thank you."



MAKING CHANGE



National Cash Register

USING THE CASH REGISTER

In most stores cash registers are used for cash sales.

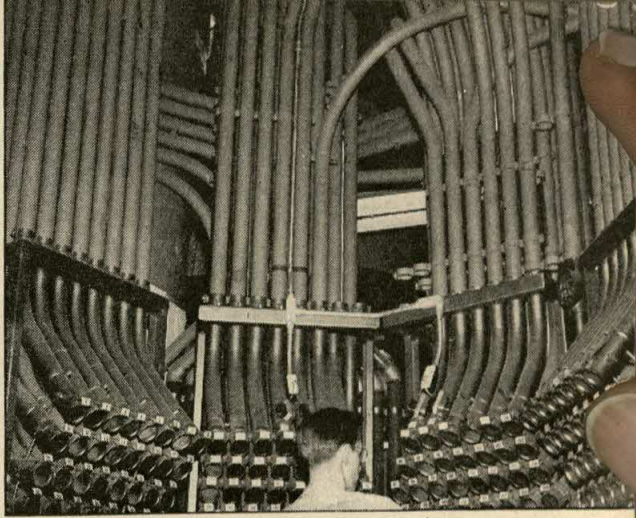
Making Change. The salesperson needs considerable practice in the operation of a cash register. He also needs considerable practice in the procedure to be followed in making change. When money is received from the customer, the salesperson should notice the amount, should look directly at the customer, and should name the amount received. This eliminates the possibility that the customer may say: "I gave you ten dollars and got change for only five."

Change should be made with as few coins as possible—for example, a dime rather than two nickels. The change should be counted in a definite way. The usual plan is to count up from the purchase price, giving change of the *smallest* denomination *first*. Thus if a sale amounts to \$3.15 and the customer gives a five-dollar bill, the salesman should count back aloud as follows: "\$3.15 out of \$5. \$3.25 (giving the customer a dime), \$3.50 (giving a quarter), \$4 (giving a half dollar), \$5 (giving a dollar bill)." When more than one bill is given in change, each should be counted and placed one by one in the customer's hand.

If a customer is short-changed, he will usually come back to the store in an angry mood. In such a case all the efforts to build goodwill are lost. Some customers who are short-changed never come back at all, and the store loses a customer. On the other hand, giving too much change means a direct loss to the store.

PNEUMATIC CASHIER

This new tube battery which links the storewide pneumatic collection system of the Marshall Field department store is capable of completing each cash sale in an average of 90 seconds.



Acme

To relieve salespeople of the problem of handling a cash fund during the day, some stores provide floor cashiers who receive all sales checks and cash from salespeople and make the change. Often they operate large cash registers that total the sales turned in by each clerk.

Still another plan is to use a tube or a wire carrier system that takes the sales check and the cash receipts to a centrally located cashier who makes change and keeps a copy of the check. For cash sales this system is slower than a cash register or a floor cashier, but it has the advantage of safeguarding funds and of relieving salespeople of responsibility of caring for cash. It is effective, too, for charge transactions.

Charge Transactions

If a purchase is to be charged to a customer, a sales check is needed—even though the customer takes the goods with him. A sales check is necessary both to provide a record to be entered on the customer's account and to obtain the approval of a designated store authority for the credit transaction.

There are two steps involved in the release of a charge purchase: identification and authorization. The first means making sure that the customer is the person he says he is, and the second means verifying that person's right to buy the goods on credit.

Many different systems are used by stores to accomplish these two steps. The most important are as follows:

Systems of Identification

1. Personal identification:

Accomplished in small stores by the owner or the manager. In large stores the section manager may ask to see some paper of identification, such as a letter or a driver's license.

2. Coin or card system:

Used in large stores. The customer presents a coin or a printed card at the time of purchase. If his name is not on a "stop credit list," the purchase is authorized by the floor authorization plan described below.

3. Signature system:

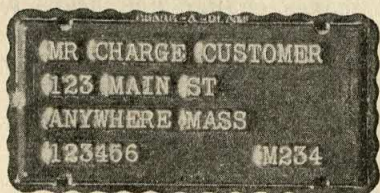
The customer's signature on the sales check, written at the time of the purchase, is compared with the records in the credit office. For small amounts the section manager's approval is enough.

4. Charge plate system:

A small printing plate supplied by the store is given to the salesclerk by the cus-



COIN



METAL CHARGE PLATE

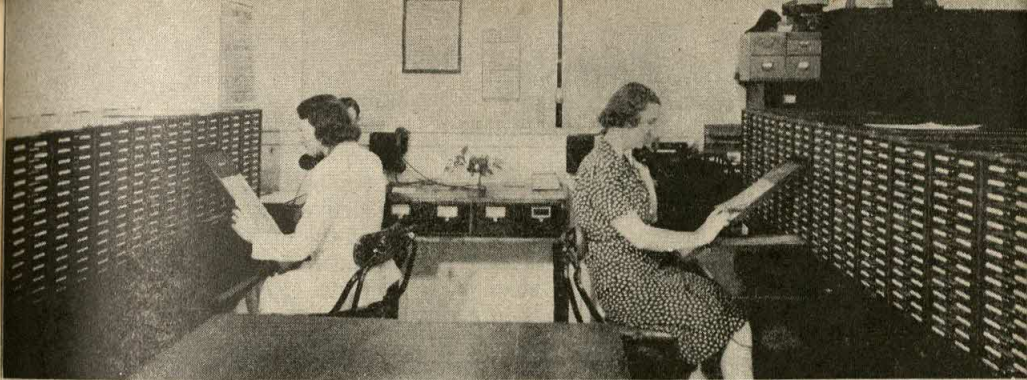
tom at the time of purchase. The name and the address of the customer are printed on the sales check from the plate by means of a small printing machine. The presentation of the plate acts as identification. The plate is usually carried in a leather case furnished by the store. In some

cities the customer may use the same plate in all the stores in which he has charge accounts. Notches on the plate indicate which stores these are.

Systems of Authorization

1. Floor authorization, for "take" transactions:

The section manager, and sometimes the salesperson, is allowed to release goods to an identified customer if the purchase is below \$10. He does this usually by signing the sales check. He depends on his size-up of the customer or on past experience, and not on verification of the fact that the customer has a satisfactory account with the store. In small stores the release of goods is approved by the owner or the manager.



Remington Rand

CHARGE AUTHORIZATION BY O.K. TELEPHONE

The central authorization room is contacted by the salesperson by means of the O.K. telephone.

2. Credit department authorization, for "take" transactions:

The sales check is approved by the credit department. The O.K. telephone and pneumatic tube systems are commonly used. With the former, the check is placed in a stamping machine in the selling department, and the credit department is called on the telephone. The identified customer's name and address are spoken over the telephone and the amount of the purchase. The authorizer looks up an index summarizing customers' accounts. If the name is there and the amount of the purchase is within an indicated limit, a button is pushed that stamps, electrically, the sales check in the machine in the department. If the customer has an account but is buying more than his limit, the authorizer refers the matter to the credit manager, who looks up the customer's account in detail and decides whether or not to authorize this purchase.

National Cash Register

With the tube system, the procedure is much the same, except that the check goes directly to the authorizer to be stamped and is then returned to the salesperson.

CHARGE AUTHORIZATION BY PNEUMATIC TUBE

Sales checks are enclosed in the metal containers and are inserted into a pneumatic tube that takes them to the cashier's office or to the authorizing desk in a distant part of the store.



3. Delivery room authorization, for "send" transactions:
Sales checks go with the goods to the delivery department and are authorized by representatives of the credit department who are stationed there with index cards. These cards summarize each customer's account. Packages for customers whose credit is in doubt are held up and are not allowed to go through the delivery room procedure.
4. Draw-back system, for "send" transactions:
Checks are sent to the credit department and are authorized there. Packages go to the delivery department without authorization. If approval is withheld in the credit office, the corresponding package is "drawn back," held up in the delivery department, and not turned over to the driver.

C.O.D. Transactions

If a customer has neither ready cash nor a charge account, he may have the goods sent on terms of "collect on delivery." Many stores have a specially colored sales check for this purpose so that the driver who is to collect cannot mistake the package for one that has already been paid for or that has been charged. Some stores require a deposit as evidence of good faith on the customer's part, for a few customers order goods sent C.O.D., then fail to accept them when they come.

The Sales Check

In the case of cash send, charge, and C.O.D. sales, a sales check is necessary, and it is often used for a cash take as well. While there are hundreds of variations in sales check forms, all provide for the following information:

- (1) Date of purchase.
- (2) Department symbol. Each department, if any, is identified on the store records by a number or a letter.
- (3) Salesperson's number. Each salesperson receives a number by which he may be identified. Salesperson 43-20 would mean salesperson number twenty in department forty-three.
- (4) Name and address of purchaser.

HAHNE & CO. NEWARK, N. J.									
CONTENTS: MERCHANDISE FOURTH CLASS MAIL POSTMASTER: RETURN POSTAGE GUARANTEED									
DEPT. NO.	CLERK	DATE	KIND OF SALE	20 01 9/28 Pd 25029-2					
SEND TO				Mrs. A. Brennan					
STREET				44 Ridgewood Rd.					
CITY & STATE				Ridgewood, N.J.					
INSTRUCTIONS									
CHARGE TO									
STREET									
CITY									
COIN NUMBER									
25029-2									
AUTHORIZATION NO.									
STREET									
CITY									
DEPT. NO.	CLERK	DATE	KIND OF SALE	20 01 9/28 Pd 10 00					
AMOUNT REC'D.				2 checks - 15.00 2.50 5 00					
AMOUNT REC'D.				3 pr. boxes - 10.00 1.25					
TOTAL				6 25					
DEPT. NO.	CLERK	DATE	KIND OF SALE	20 01 9/28 Pd 6 25					
AMOUNT REC'D.				6 25					
AMOUNT REC'D.									
TOTAL				6 25					
AUDITOR'S VOUCHER HAHNE & CO.									

Cash Send

HAHNE & CO. NEWARK, N. J.									
CONTENTS: MERCHANDISE FOURTH CLASS MAIL POSTMASTER: RETURN POSTAGE GUARANTEED									
DEPT. NO.	CLERK	DATE	KIND OF SALE	26 01 9/28 Chg 25029-3					
SEND TO				Mrs. M. McKenna					
STREET				428 West 12 St.					
CITY & STATE				Newark					
INSTRUCTIONS									
CHARGE TO									
STREET									
CITY									
COIN NUMBER									
25029-3									
AUTHORIZATION NO.									
STREET									
CITY									
DEPT. NO.	CLERK	DATE	KIND OF SALE	26 01 9/26 Chg 5 00					
AMOUNT REC'D.				1 girlie - 27.230					
AMOUNT REC'D.									
TOTAL				5 00					
AUDITOR'S VOUCHER HAHNE & CO.									

Charge Send to Same

HAHNE & CO. NEWARK, N. J.									
CONTENTS: MERCHANDISE FOURTH CLASS MAIL POSTMASTER: RETURN POSTAGE GUARANTEED									
DEPT. NO.	CLERK	DATE	KIND OF SALE	17 02 9/28 Chg 25029-6					
SEND TO				Mrs. F. L. Baker					
STREET				27 Central Ave					
CITY & STATE				Madison N.J. 25029-6					
INSTRUCTIONS				COIN NUMBER 88976					
CHARGE TO									
STREET									
CITY									
COIN NUMBER									
25029-6									
AUTHORIZATION NO.									
STREET									
CITY									
DEPT. NO.	CLERK	DATE	KIND OF SALE	17 02 9/28 Chg 5 95					
AMOUNT REC'D.				1 handbag					
AMOUNT REC'D.									
TOTAL				5 95					
AUDITOR'S VOUCHER HAHNE & CO.									

Charge Taken with Coin

Hahne & Co., Newark

KINDS OF SALES TRANSACTIONS

Sales checks for three important kinds of sales transactions are illustrated here. In this store cash takes are handled by means of a cash register.

- (5) Kind of sale—cash, charge, or C.O.D.
- (6) Description and price of merchandise sold.
- (7) Amount of money received from customer.

In connection with some sales, the sales check may also give the following information:

- (8) Extra packages inclosed.
- (9) Some form of charge identification.

Unfortunately some customers show impatience about giving the information necessary for preparing sales checks and give the information so hurriedly and carelessly that salespeople find difficulty in filling out sales checks. Because some customers do dislike to give information, salespeople should be especially careful to make this part of the sale easy for customers. Certain information required on the sales check may be written in advance of the sale, thus saving the customer's time. The department number, the salesperson's number, and the date are always needed; these may be written on checks between sales.

By referring to the original sales checks on page 347 you will see that the body of each check contains a complete description of the merchandise purchased, the quantity purchased, the price of each article, and the total price of all merchandise. Care should be taken to list the articles correctly so that the customer will recognize his purchases when he receives his bill. The story is told of a customer who purchased two copies of a book called *Lions of the Sea* and had them sent directly to a friend. When his bill came in, the article was listed "2 Lions." He was caused the annoyance of having to call at the office of the store to identify the articles and to convince himself that he had really purchased them.

Special care must be used in writing customers' names and addresses. Incorrect shipping and charge addresses cause much annoyance to customers who must wait for their goods and great expense to the store in locating customers and resending lost packages. Much of the time of adjustment clerks is occupied in locating and readdressing misdirected packages.

The following rules are followed in many stores to assure accuracy in writing names and addresses:

- (1) The salesperson should read back the customer's name and address.
- (2) The address should be shown to the customer and he should be asked to verify it. If the names and the addresses given in the first column below had been verified by the salespeople, such mistakes as those shown in the second column could not have occurred:

CORRECT NAME OR ADDRESS	NAME OR ADDRESS WRITTEN BY SALESPERSON
F. E. Rich	F. D. Riggs
M. H. Cotter	M. H. Potter
15 Addison Ave.	15 Addison Street
6 Graves Place	6 Graves Avenue
L. K. Dalzell	L. K. DaSalle

- (3) Particular care should be used in securing the first name or initials of customers having very common names such as Smith or Brown.
- (4) The use of the word "City" in addresses is not permitted by most stores. An out-of-town customer who says "City" has his own city in mind, while the salesperson who writes "City" means the city in which the store is located.
- (5) Many stores require that all names and addresses shall be printed on the sales checks by salespeople who make them out.

Parts of the Sales Check. The original sales check consists of the original voucher, the body, and the original address label. The duplicate consists of the duplicate body, the duplicate voucher, and the duplicate address label. The sales check is perforated so that it may be detached from the pad and separated into the six parts named. In most stores the parts have the following uses:

- (1) The original voucher is the salesperson's voucher or receipt of sale. It is held by the salesperson until the end of the day and is then turned in with the tally. (See page 350.)

- (2) The original body is the office copy. Charge checks are used in billing, and all checks are filed for reference.
- (3) The original address label, in the case of "sent" merchandise, is filed in the delivery department and is used in tracing lost packages.
- (4) The duplicate voucher is the customer's receipt for "sent" sales. The customer may use it as a claim check if the merchandise is wrapped at a wrapping desk.
- (5) The duplicate body is placed in the package with the merchandise.
- (6) The duplicate address label is pasted on packages in "sent" sales. Otherwise it has no value.
- (7) The triplicate check, or *tissue*, may be used as an office copy in case the original is damaged or lost.

Use of the Tally or Index

Many stores require all salespeople to prepare a classified summary of each day's sales, called a *tally*, *index*, *score card*, or *summary*. It is usually a card or an envelope inserted in one side of the cover of the salesbook. If the tally is an envelope, the salesperson puts his vouchers, voided checks, and tissues in it at the end of the day. A new tally is used daily and is collected at closing time by the buyer or his assistant. The buyer can then immediately estimate from the total of the sales tallies of all salespeople in his department whether or not he has "made his day," that is, whether the total sales of his department are above or below the quota given him by his superiors. The tally is later used in the office to make sure that copies of all checks written by each clerk have been received.

Wrapping Packages

When a customer takes the goods, the salesperson is usually responsible for wrapping the package, although in many large stores there is an inspector-wrapper who compares the sales check with the price ticket on the

merchandise and then wraps it. In this part of the salesperson's work, there is an opportunity to build goodwill. Customers like neatly wrapped packages that will not come apart. Where a bag is used, it is simply a matter of using the proper size for the goods. Using a bag too large is wasteful and makes the package bulky. If too small a bag is used, merchandise will be exposed.

If the salesperson must wrap and tie bundles, he should observe how experienced salespeople do the work and should then practice wrapping and tying until he can wrap and tie a package neatly and quickly. A customer often measures a salesperson's efficiency by the manner in which he performs this duty. All that is needed for a compact, strong package is suitable wrapping paper and twine. These materials should be on hand before the day's work is begun.

If a customer has several packages, even though they were not bought in the store, the salesperson should offer to wrap them together for him. The customer will be grateful for this service. When a customer asks to have a gift package wrapped, the salesperson should be careful not to enclose the sales check, price ticket, or customer's receipt, and should exercise care in wrapping. Some stores use tissue paper and white wrapping paper for gift packages and enclose gift cards.

If the goods are to be sent, the salesperson may wrap them. In large stores such articles are often sent in bags, with the sales checks attached, to a "central wrap," and breakable articles are sent to the packing department. Then they go to the delivery department where they are sorted by deliverymen's routes and are *sheet-written* or *stubbed*. When sales are sheet-written, the name and the address of each customer are entered on a list that includes everything that is turned over to a driver. When sales are stubbed, a stub of each sales check is removed from the package as the package is turned over to the deliveryman. The stubs are then filed to provide a list of the customers' names and addresses. The written lists or the file of stubs may be used to fix responsibility when a customer fails to receive a package.

As the Customer Departs

After the sale has been closed and a record of it made by the salesperson, the only other thing to be done is to send the customer away with a feeling of goodwill. Earlier we saw that the approach to the customer depends on the conditions existing in the department where the salesman is stationed. Similarly taking leave of the customer must vary with the kind of merchandise sold, the length of the interview, and the number of customers waiting for service. In some cases all that the salesperson can do is to say "thank you" as he counts back the change to the customer. In other cases, he may accompany the customer to the door of the store or to the limits of the department.

MECHANICS OF ENDING A SALE

1. Write sales check.
2. Ring register and make change or secure authorization for a charge sale.
3. Wrap package securely.
4. Build goodwill.

Even if no sale is made, the salesperson should continue to *show as much interest and cordiality as if the customer had purchased*. Too many salespeople appear disgruntled, and some become sarcastic and almost insulting if they see that the customer is not going to make an immediate purchase. This is a very shortsighted action on the part of the salesperson, for a display of courtesy and an indication of an understanding of the customer's problem may lead the customer to return if more attractive merchandise is not found elsewhere. At any rate, the customer will carry away a friendly feeling toward the store and will probably call again when in need of some other goods.

VOCABULARY

Study the following words. Try to make them a part of your vocabulary.

Cash take—A sales transaction in which the customer pays cash and takes the merchandise with him.

Charge plate—A small printing plate supplied by the store which identifies the customer at the time of a charge sale.

Close of the sale—The point in the sale where the customer decides to buy the goods.

Sales check—The original record of the sale made by the salesperson.

Tally—A record or score of the salesperson's sales for the day.

QUESTIONS ON THE CHAPTER

1. a. What is meant by closing the sale?
b. What may happen if a retail salesperson uses high-pressure selling methods with his customers?
2. When do customers actually decide to buy?
3. What is it well to do if the salesperson is to guide the customer's mind into a state of approval with regard to merchandise?
4. a. What is meant by closing on a minor point?
b. What are five examples of questions covering minor points that may be used to close a sale?
5. What is an example of a remark made by a salesman that is based on the assumption that the customer has reached a decision to buy?
6. What type of closing is frequently best with a person of nervous temperament?
7. How may a deliberate customer be aided in coming to a decision?
8. a. What should a salesperson do after a sale has been closed?
b. What should a salesperson do if no sale is made?
9. What are the five simple classes of sales transactions?
10. a. How may *cash take* transactions be recorded?
b. How should change be made? Explain with an example.
11. a. What may a customer do if he is shortchanged?
b. To relieve salespeople of the problem of handling a cash fund, what two plans are used?
12. a. What is meant by *identification* in a charge transaction?
b. What are four systems of identification? Explain each system briefly.

13. a. What is meant by *authorization* in a charge transaction?
b. What are four systems of authorization? Explain each system briefly.
14. What is meant by a C.O.D. transaction?
15. a. What seven kinds of information are included on all sales checks?
b. What two additional kinds of information may be given on a sales check for some sales?
16. What information may be written on a sales check in advance of a sale in order to save a customer's time?
17. a. Why should care be taken to list articles clearly on a sales check?
b. Why must special care be taken to write customers' names and addresses clearly?
18. What five rules are followed in many stores to assure accuracy in writing customers' names and addresses?
19. a. What is meant by a *tally*?
b. What other names are sometimes given to a tally?
c. How may a tally be used by a salesperson if the tally is an envelope?
20. a. What may be the result if too large a bag is used for a package?
b. What may be the result if too small a bag is used for a package?

PROBLEMS FOR DISCUSSION

1. What advantages has the cash register over the tube system?
2. "Giving the customer too little change is as harmful to the store as giving too much change." Explain.
3. In what ways does the cash register protect the salesperson?
4. Why do some stores insist that the customer's name and address be *printed* by the salesperson?
5. Why do stores have the rule that no sales checks may be destroyed by the salesperson?
6. The five-and-ten-cent stores have a rule that all merchandise must be wrapped before being given to the customer. Why is this?
7. What unfortunate situations might arise if the wrapper does not follow instructions with regard to wrapping gifts?
8. A rule in most stores is that, if the customer pays for the merchandise with a bill, the bill must be placed on the change plate until the change has been taken from the register. What is the reason for this rule?

CHAPTER XVII

PLUS SELLING FOR PROFIT

When the time for the periodic raises had come and passed, Jack Perry, a young salesman in a chain automotive supply store, found that his salary had not been raised. A friend of his, working in the same store, had received an increase, and Jack asked the store manager the reason for his not having received a raise.

"I sell to as many customers as does Tom Howie," he said indignantly, "and I have been here longer than he has. Besides, my supervisor says I treat customers very courteously. I can't understand why he received an increase and I didn't."

The store manager had to be tactful, for what Jack said was true; he was a good salesman. But there was one difference between Jack and Tom which their records made clear.

"It is true, Jack," the manager said kindly, "that you make as many sales as your friend; and we have no complaint about your treatment of customers. But there is one difference that accounts for his increase."

"What's that?" asked Jack.

"He knows how to increase the size of each sale and how to reduce the number of returns."

Jack became interested. What Tom knew, Jack wanted to know too; and so the manager gave him the following explanation:

Increasing the Number of Customers

There are three ways to increase sales. One is to increase the number of customers, another is to sell more merchandise to each customer, and a third is to cut down customer returns. The first method is used by the merchant when, through outside selling mediums and devices, he brings more customers into the store. This work, which largely involves publicity, is beyond the control of the salesperson.



Good Housekeeping

STIMULATING SALESPeOPLE

This group of salespeople of one department is listening to a talk by the merchandise manager. Such meetings stimulate salespeople to increase their sales.

The latter may, however, render such cheerful, helpful, and efficient service to new customers when they appear that they will become regular customers. In this way the salesman builds up his clientele and helps to increase the number of regular customers.

Speeding Up Sales. The salesperson may learn to close sales promptly, thus eliminating waste of time, and so be able to wait on more customers each day. The salesman may also increase the number of customers upon whom he waits by actually waiting on two or more customers at once. At least he can, during a sales period when he is rushed, greet newcomers promptly with a nod or a smile so that they will not leave the store but will be willing to wait their turn.

New salespeople sometimes devote too much time to each customer. In their zeal to be of service, they spend an hour

showing stock to a customer when fifteen minutes would be long enough. Some customers welcome a chance to spend a pleasant afternoon examining beautiful goods without spending a cent. The salesperson must learn not to spend too much time on a "looker" while others are waiting to be served. He must get the customer to concentrate quickly on a few articles and then must help him to make up his mind promptly by one of the means discussed in the previous chapter. Many customers allow their attention to go off on a tangent; it is the duty of the salesperson to keep attention on the matter at hand, the buying of goods.

Telephone Selling. A most effective method of increasing the number of customers is to solicit business over the telephone and to close sales when customers telephone in.

Many specialty shops find it profitable to telephone customers when they receive new goods, and grocery stores sometimes telephone customers on rainy days. Salespeople develop lists of customers that they know personally and telephone them when they have interesting offers to make. If such solicitations are tactfully made to the right people and at reasonable hours, they bring in much additional business.

An increasing number of customers find it convenient to do their shopping by telephone, especially if they are shopping for meats, groceries, or fruits. Large department stores invite customers to order merchandise by telephone; their advertisements read "telephone orders taken." A store that caters to telephone orders, however, should have them handled by salespeople who have a great deal of tact. Some stores have provided special telephone salespeople to take telephone orders; other stores direct telephone orders to the selling floor where they are handled by regular salespeople.

Difference Between Telephone Selling and Personal Selling. Selling by telephone presents some problems that differ from those of selling over the counter. When the customer makes a personal trip to the store, the salesperson has an opportunity to greet him pleasantly, to show him the goods,

to observe his reaction, and to get him to take part in the sales interview. The telephone salesman, however, has only the customer's voice to guide him through the sales interview. He must be able to tell from the inflection of his voice whether he is interested, whether desire has been created, and when he should attempt to close the sale. Since he cannot show the customer the goods, he must be able to paint a word picture of his merchandise. He must create desire by the enthusiasm of his own voice. And he must know about the sizes, colors, prices, and quantities of the goods he has on hand so as to be able to tell the customer whether the order can be filled promptly. When the order is actually given, great care must be taken to secure all necessary facts. These include:

- (1) Name of person telephoning.
- (2) Name of person to whom goods are to be charged or sent C.O.D.
- (3) Address to which goods are to be sent.
- (4) Address to which goods are to be charged.
- (5) Any special delivery instructions.
- (6) Exact description of each article, including quantity, brand, size, quality, and special preparation.

The salesperson must be particularly careful not to leave the customer for more than a few moments on an open wire while he gets needed information. Telephone customers resent any indication that they have been forgotten.

Tact is needed where the wire is not clear and hearing is difficult. The customer should not be required to repeat an order too often. Polite phrases, such as "pardon me," "please," and "I'm sorry," help to keep the customer in a pleasant frame of mind if it is necessary to have him repeat what he has said.

Qualifications of the Telephone Salesperson. Salespeople who are most successful in telephone selling have a complete knowledge of their merchandise, have a "voice with a smile," and have an ability to understand voices over the telephone. They know the technique of selling. They answer the telephone promptly, giving the firm's name and



Burdine's, Miami, Florida

SELLING BY TELEPHONE

These girls are specially trained to sell by telephone. They have copies of the store's current advertisements before them and price lists and order pads on their desks.

the department. They are courteous throughout the conversation, they are quick and accurate in taking orders, and at the end of the sale they may suggest related merchandise. Above all they never forget to thank the customer.

One should not confuse order-taking by telephone with telephone selling. Although the instrument is used for both activities, selling over the telephone requires unusual ability, whereas taking orders by telephone is a rather simple procedure after the technique has been learned.

Suggestion Selling

The second method of increasing sales is to sell more merchandise to each customer; and Jack Perry's record showed that he was weak in this respect. After the salesperson has supplied the want that the customer had in mind on entering the store, he may have an opportunity to call attention to new merchandise, to goods that have been reduced in price, or to merchandise especially fitted to accompany the goods that the customer has already purchased. If the information is properly given, the customer

will consider the suggestion a service. No matter how carefully the shopping list has been prepared, there are almost sure to be some needed articles that the customer has overlooked; no matter how carefully the store's advertisements have been studied, there are sure to be some offerings that will not be fully appreciated until the merchandise is seen.

Forms of Suggestion. One of the most common methods of making a suggestion is to display goods. Because of the susceptibility of customers to suggestion, the five-and-ten-cent store places candy near its entrance; the large department store places novelties near the entrance or near the main elevators on the street floor; and the supermarket places its entire stock where it can be reached by customers.

A second form of suggestion is that in which the salesman brings additional merchandise to the attention of the customer. This method requires great tact because customers may resent oral suggestions even when they readily accept impersonal suggestions made by means of display.

Systematic suggestion-selling campaigns have been effective in increasing the volume of sales. This is true whether the suggestions are made orally or by means of displayed merchandise. Even suggestions made through the medium of a vending machine have proved very effective. Some stores are using cigarette machines that deliver a package of cigarettes while an automatic voice-reproducing record in the machine says, "Have you matches?" Whether the purchaser is more surprised or pleased at the suggestion remains to be answered, but that the suggestion is effective is proved by the fact that 50 per cent of the purchasers insert a penny for matches.

Nature of Suggestions. Whether made visually or orally, the suggestion may be for:

- (1) Larger quantity.
- (2) Better quality.
- (3) New goods.
- (4) Related articles.

(1) The suggestion of a larger quantity is greatly facilitated by the use of the multiple-selling technique, in which

a group of articles are offered for less than the sum of the individual prices. Thus collars selling for 35 cents each generally sell three for a dollar. If they are packaged or displayed in these multiple units or if the customer's attention is called to them, the customer is likely to purchase in order to save. Even when there is no price reduction, the customer may also act upon a suggestion to buy a larger quantity so as to avoid the bother of frequent repurchase, to take advantage of an unusually good value, or to assure a perfect matching of colors later on, as in the case of yarn or paint.

(2) Cheap goods are often the most expensive in the end. Cheap furniture, for example, will not give as good service as the more expensive grades; and a cheap suit of clothes will usually neither hold its shape nor wear well. The investment of a few extra dollars frequently means the difference between a completely satisfied and a displeased customer. It is still true that "quality is remembered long after price is forgotten." Simply putting the better grade beside a cheaper grade is often all that is necessary to convince the customer of the difference.

(3) The salesperson may render valuable assistance to the advertising department by suggesting to his customers new merchandise either in his own department or in other departments of the store. Not all customers will be interested; but if the attention of customers is tactfully called to the merchandise, many of them will inspect the goods. New goods, new styles, new colors, new appliances, and novelties of various kinds all have their attraction, and most customers will be grateful for having their attention called to them.

(4) The principle of suggestion as applied to related goods often determines the layout of a store. Departments and articles are grouped together so that the display of goods will silently suggest the purchase of related articles. The salesman may also suggest additional articles that naturally go with goods already purchased. Thus shoes naturally suggest polish, hosiery, and laces; shirts suggest collars and ties; razor blades suggest shaving cream; gowns

suggest gloves to match. The salesperson will find it advantageous to make a study of past sales where more than one item was sold for the purpose of determining the related articles to which the customer's mind can most easily and naturally be directed after the original wants have been supplied.

Fashion demands that various articles shall harmonize; consequently the salesperson has an opportunity to suggest related articles that will build a perfect ensemble. Thus, for example, a dress should have a bag and jewelry to match; and furniture, rugs, and drapery should be parts of a pleasing whole. In a drugstore a customer may be encouraged to buy soap and cosmetics of the same odor.

The multiple-selling technique may be used for ensembles as well as for larger quantities of the same item. For example, one store sells a complete outfit for men at a price considerably below the sum of the individual prices of the articles involved.

To Whom to Suggest Additional Goods. Some customers will accept the suggestion of additional merchandise easily, but other customers may become irritated by such suggestions. The salesperson must learn to analyze his customers. The quick-acting, fast-talking, cold, distant, or reserved customer who makes selections and decisions rapidly and without wavering is usually not a person who will readily accept or act upon suggestions regarding additional merchandise. The person who is less decided in his manner, who is cordial in his contact with the salesperson, who likes to chat about the merchandise when he purchases, and who selects merchandise without haste, is likely to take more kindly to the salesperson's suggestions of additional goods.

Since oral suggestions will do more harm than good if they are not intelligently made, there is a tendency for stores to put more emphasis on display to increase sales. A salesperson can, however, use unusual suggestion techniques such as the following without running any risk of giving offense: A saleswoman in a lace department set aside in a handy place some choice laces, and while a customer was waiting for her purchase to be wrapped and for



Kaufman's, Pittsburgh

SUGGESTION SELLING

This salesperson is being instructed in the items especially suitable for suggestions to customers.

her change, this saleswoman busied herself at winding and unwinding or folding and examining these choice laces immediately in front of the customer. She selected the laces that she thought would interest the customer before her, and if the customer showed any signs of noticing or admiring the lace, the saleswoman had a story all ready and was full of enthusiasm and admiration for the lace in hand. Often this led to the showing of other pieces of lace and to large sales. In this way the salesperson put the merchandise before the customer in an unobtrusive way but one that led to greatly increased sales.

Wording of Suggestions. When suggestions are made orally, care must be taken to suggest positive, not negative, action. The form of a question often suggests the expected answer, and many salespeople, by asking a question in an incorrect way, invite an answer opposite to that they wish. For example, the natural answer to the question "Is that all?" is "Yes." This question, as well as "Nothing else?" after a sale is made, might better be omitted. The salesman who says, "You don't want a can of peas, do you?" invites the answer "No" and should not be surprised when he receives that answer. Instead of using negative, indefinite suggestions such as these, the salesperson should suggest some definite merchandise in a posi-

tive way. Examples of effective suggestions are: "By the way, here is a tie that will exactly match that shirt." "You'll need some eggs, too, if you are making a cake." "If you need some gift handkerchiefs for Christmas, these with the monograms are very distinctive."

Reducing Returns

A sale that comes back as a return does not contribute to the profits of the store or to the credit of the salesperson who made it. In fact, a return is worse than a simple cancellation of a sale. It means additional expense in calling for goods, in re-marking, restocking, reselling, rewrapping, and redelivering; in fact, handling expenses are about three times as great as when goods are sold but once. One study shows that in department stores the cost to the store of an average customer complaint is about \$1. Complaints that involve returns may cost considerably more. Perhaps even more costly than the extra handling expense are the markdowns so commonly taken on returned goods.

Volume of Returns. Returns in large department stores average about one out of every thirty-three sales, but in terms of dollars about 10 per cent of the volume of sales is returned. The difference is caused by the fact that the average return is larger than the average sale. In small department stores returns are less, and in stores carrying convenience goods primarily, such as groceries, returns are an almost negligible amount.

Department stores and larger specialty stores find the return problem particularly difficult for a number of reasons:

- (1) They handle largely *shopping* goods, about which it is difficult for customers to make a final decision until goods are tried out in the home or the approval of others is obtained.
- (2) They have many charge customers who like to make their final decisions at home, feeling they have a right to return goods since they are not paid for.
- (3) They tend to run frequent sales and to oversell customers on advertised merchandise.

- (4) They are so big that customers look upon them impersonally and make demands they would not think of making of a merchant they knew personally.
- (5) They have many uninterested employees who do not work under the eyes of the owner and are careless in selling, wrapping, and delivering.

HOW TO INCREASE SALES

1. Increase the number of customers.
2. Sell more merchandise to each customer.
3. Sell higher priced units.
4. Decrease returns.

Returns Caused by Store Practices. As a study of the table on page 367 will reveal, most returns are caused by customers' finding the merchandise unsatisfactory or unsuited to their needs. Although the store management is often responsible because it does not provide adequate merchandise, the salesperson is frequently at fault because he sells the wrong goods. Most defects in merchandise can be caught by the salesperson before the sale, and the goods can be returned to the manufacturer for adjustment. Customers may be urged to try on goods in the store and, if honest advice is given, many returns because of poor fit would be eliminated. Intelligent aid in helping customers make a good selection will make it unnecessary for the latter to look upon the sale as "on approval." Care in filling orders and in making promises will eliminate the sending out of wrong goods or the sending of the right goods too late with resultant returns; and more accuracy in describing goods over the telephone will lead to less customer disappointment when the goods arrive, and consequently fewer returns.

The lazy salesperson has one habit in particular that leads to returns. Instead of doing a thorough job of aiding the customer to make a final decision in the store, he

says, "Why don't you take it with you? You can always bring it back if it is not right." Such urging of customers to defer decisions naturally leads to larger returns. It is true that the suitability of certain decorative articles of home furnishings cannot be determined until goods are tried out in the home, but the salesperson should always try to complete the sale in the store.

WHY CUSTOMERS MAKE RETURNS

Analysis of reasons for 5,371 returns as reported
by customers

			Per Cent
Change of mind	1014	or	19.0
Store fault	4357	or	81.0

Detailed analysis of store faults

Defects in merchandise	24.1
Unsatisfactory fit	19.9
Sent "on approval"	14.5
Wrong items sent—item damaged in delivery	14.5
Dissatisfaction arising from mail or telephone orders	6.7
Dissatisfaction with merchandise sent on promise	
order because wanted item was out of stock	6.6
Delivery despite cancellation	4.6
Found at lower price elsewhere	4.2
Miscellaneous	3.1
Unclassified	1.8
Total blamed on the store	100.0

Returns Caused by Customer Faults. Many returns are not due to faulty merchandise or service, but to customers' changing their minds or deliberately taking advantage of the store. To reduce such returns, many stores are using one or a combination of the following methods:

- (1) Setting definite return rules, such as a return in seven days accompanied by the sales check. Co-operative action in setting and enforcing return rules has been successful in a number of cities. A few

stores make a charge for returns if there is no fault with the goods.

- (2) Educating the customer. Information on care of merchandise and cost of returns may get the customer to buy more carefully in the future.
- (3) Reporting of frequently offending customers to a retail merchants' credit association. This is a sort of black list of customers who habitually send goods back. These offenders are then not given the lenient adjustment that most customers receive.

Shopper's

Return Privilege Guide

Limited Time.....	10 days
Merchandise.....	Must be in original condition
Sales Slip.....	Should accompany all goods
Gifts.....	If returnable, will be accepted only in exchange for other merchandise at current prices.

Merchandise to be returned should, whenever possible, be returned either in person or by mail.

NONRETURNABLE ARTICLES:

- 1 Merchandise which has been worn or used.
- 2 Merchandise which has been altered, marked or changed from its original condition.
- 3 Merchandise made to order or for which a special order was placed.
- 4 Merchandise sold subject to final sale.
- 5 Merchandise marked *not returnable*.

RETURN RULES

These rules are enclosed in all packages by one store.

just when it is most desirable in a course of this kind. In that case, we must do the next best thing, which is to practice selling, first at home and then in the classroom.

In the classroom actual selling cannot be done, but practice in selling may be gained by giving sales demonstrations before other students. Their criticisms and those of the teacher may aid in improving the sales technique.

Sales Demonstrations

Now that we have discussed the techniques of selling, we should try to put them into practice. A knowledge of the principles of selling is necessary if one is to become an able salesperson. But a study of the principles of salesmanship should be accompanied by actual practice; let us put the principles to work.

Of course, the best way to get practice in selling is to work in a store, a filling station, or in one of the many other places where selling is done and where the student will meet situations that will test his mastery of selling principles. But it may not be possible to get a selling job

OUTLINE FOR AN ANALYSIS OF A SALES
DEMONSTRATION

Name of Salesperson _____ Date _____

Name of Customer _____ Goods Sold _____

I. Preapproach:

Did the salesperson plan everything properly before meeting the customer? _____

What did you like about the preapproach? _____

What could be improved? _____

II. Approach:

What kind of approach was used? _____

What was said? _____

III. Determining customer wants:

How was this point handled by the salesperson? _____

IV. Presenting goods and salespoints:

Some salespoints that were used were: _____

Were the goods carefully handled? Explain _____

V. Demonstrating:

Were the goods put in action? Explain _____

VI. Answering customer's objections and questions:

Were these correctly handled? What method? _____

Explain _____

VII. Closing the sale:

Did the salesperson choose the best moment to close? _____

Was the customer helped by the salesperson in coming to a decision? Explain _____

VIII. Suggesting additional merchandise:

What was suggested? _____ How? _____

IX. Mechanics of ending:

Was the sales check quickly and neatly filled out? _____

Was change given correctly? _____

Was the package securely and neatly wrapped? _____

X. Building goodwill:

How was this done? _____

Will the customer come back? _____

XI. General remarks:

Appearance _____

Confidence _____

Good words or phrases _____

Points for improvement _____

Preparing the Student Sales Demonstration. The first step in getting ready to give a sales demonstration is to plan it. In planning a practice sale, do the following things:

- (1) Outline on paper the steps in the sale as well as what you will do and say at every one of the steps in the sale.
- (2) Get samples of the merchandise you plan to sell. Become familiar with them.
- (3) Prepare four or five good selling sentences about your merchandise, sentences which will catch the interest of your customer and bring out the value of the goods.
- (4) Decide how you will have the customer try out the goods. You may have him write with a pen, try on clothes, turn on a radio, or push a sweeper. The important thing is to create customer activity toward the goods.
- (5) Prepare several closing sentences for sales talks. These sentences may bring the customer back to buy again. See that he leaves you in good humor, glad that he purchased.

At first it is important to write down all that you plan to do and say. You may think you know what to say, but sentences have a way of leaving your mind just when you need them most. Then try out your sales talk at home. If you can try out your sales talk in front of a brother or sister, do it. That will make it easier for you when you sell before your class.

Analyzing a Sale. Each student will find it helpful to analyze the presentations of actual salespeople and the class demonstrations of students according to the outline shown on page 369. It is not necessary that every sales effort end in a purchase. In fact, a lost sale may require the most careful analysis and may provide the basis for the most interesting discussions.

Continual analysis of sales demonstrations will help a student to fix in his mind the methods that are to be used and the pitfalls that are to be avoided.

VOCABULARY

Study the following words. Try to make them a part of your vocabulary.

Customer return—The return to the store of merchandise that has been sold.

Positive suggestion—A method of phrasing a suggestion so that a favorable reply or action will result.

Related goods—Merchandise which enhances or increases the satisfaction from the first purchase.

Sales demonstration—Staging a sale for instructional purposes.

Selling steps—The various phases of a sales transaction, beginning with preparation to meet the customer and ending with the farewell.

Telephone selling—Undertaking the sales transaction over the telephone.

QUESTIONS ON THE CHAPTER

1. *a.* What are the three ways to increase sales?
b. How may salespeople make regular customers out of new customers?
2. What are the two main things that salespeople may do so as to be able to wait on more customers each day?
3. *a.* When do specialty shops sometimes telephone customers?
b. When do grocery stores sometimes telephone customers?
c. How do large department stores invite customers to order merchandise by telephone?
4. How does telephone selling differ from personal selling?
5. What facts should be secured by a salesperson when taking an order over the telephone?
6. What must salespeople who are successful in telephone selling know and do?
7. Why may a customer consider suggestion selling a service?
8. Explain how the following stores make suggestions by displaying goods:
 - a.* Five-and-ten-cent store.
 - b.* Large department store.
 - c.* Supermarket.
9. *a.* What is meant by *multiple selling*?
b. How may multiple selling be used in selling collars?
10. Why is it frequently desirable to call a customer's attention to goods of a better quality?
11. What department of a store is helped when a salesperson calls a customer's attention to new goods?

12. How does the principle of suggestion as applied to related goods affect the layout of a store?
13. What types of customers will not readily act upon suggestions regarding additional merchandise?
14. *a.* What are two examples of negative suggestions?
b. What are two examples of effective suggestions?
15. What additional expense is involved in a return of goods to a store?
16. What are the five reasons why department stores and large specialty stores find the return problem particularly difficult?
17. What is the main cause for the return of goods?
18. *a.* How may care in filling orders reduce returns?
b. How may accuracy in telephoning reduce returns?
19. What habit of some lazy salespeople especially leads to the return of goods?
20. What three methods may be used by stores to reduce returns caused by customer faults?

PROBLEMS FOR DISCUSSION

1. Is suggestion selling used more successfully with convenience goods or shopping goods? Why?
2. Why can a store afford to sell a number of identical articles or a number of related articles at a lower price than it can afford to sell them individually?
3. Explain how the suggestion of additional merchandise may be a real service to the customer. Give several examples of this form of suggestion selling.
4. Show the relation of "ensemble building" and suggestion selling.
5. What would you say in suggesting a new brand of crackers to a woman who had bought a jar of cheese?
6. Give appropriate positive suggestions to take the place of the negative suggestions on page 364.
7. What related merchandise might be suggested when the following has been sold:

<i>a.</i> A shirt.	<i>d.</i> A box of pen points.
<i>b.</i> A garden rake.	<i>e.</i> A turkey.
<i>c.</i> A watch.	
8. Explain how increasing the average sale per customer increases the profit of the store.
9. What kinds of goods should stores not permit to be returned?
10. Explain two types of returns that result from the salesperson's carelessness.

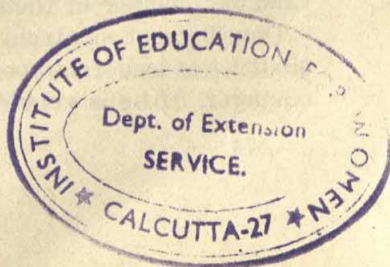
THINGS TO BE DONE

1. Visit the largest store that you can conveniently reach and make a note of five groups of related articles that are placed near together in the store.
2. Make a list of five numbers, letters, and words that are likely to be confused when spoken over the telephone. Show how this confusion may be avoided.
3. Draw up a return policy that you think would be suitable for a store with which you are well acquainted. Put it in the form in which it might be available for customers. Include, if you think desirable, a time limit for returns and a list of nonreturnable articles.
4. Describe an article that was returned to a store from your home recently. Why was it returned?

WHAT WOULD YOU DO IN THIS CASE?

Salespeople are often handicapped by the well-meaning attempt of the manager or of another salesperson to help them close a sale. There are times when the manager or buyer should be called on to help solve the customer's problem, but ordinarily the manager should not interfere. Not knowing what has gone before, he may make a suggestion which makes it harder for the customer to come to a decision. The same thing is true when another salesperson interferes. For example, a clerk was about to close the sale of a navy sweater that was considerably higher in price than the customer had originally considered. However, the clerk had convinced him of the value of the sweater, and the customer could apparently afford the price. At this point another clerk came up and announced that a new shipment of very inexpensive navy sweaters had just been received and would be down the next morning. What the second clerk didn't know, however, was that the customer was leaving town and needed the sweater at once. But the knowledge that a cheaper navy sweater would be available in a day or so, upset the customer's decision and he decided to put off the purchase.

Since the second salesperson did not know that the sale was nearly made, did he do right in volunteering the new information? Was there any way the sale might have been saved, even after the customer had heard about the new lot of cheaper sweaters?



CHAPTER XVIII

TEAM PLAY IN PERSONAL SELLING

Team Spirit

Although a salesman's major responsibilities are to his customers and to his firm, he is faced with many difficult problems involving relationships with his co-workers. Retail salespeople seldom work alone. They are members of a team, and co-operation is essential if the individuals are to be in a frame of mind that leads to good service to customers. Specialty and wholesale salesmen more commonly sell alone, although they too frequently meet fellow salesmen in the company office, and of course they are in direct contact with their supervisor, who may be the district manager. These contacts may become sources of inspiration for future sales or friction points that lead to a breakdown of morale.

The value of team spirit is well exemplified by the following occurrence: A group of temporary clerks were trying to show good records for the day, but one young man fell behind in the race and became discouraged. Later in the day, when the buyer inspected the tallies, he saw the poor record, and in the presence of the others, he threatened the young man with dismissal if he did not do better before the day was over. The first reaction of the rest of the extra salespeople was to ridicule the boy, but this only upset him all the more. Eventually, the others realized that the boy was really in a predicament and that any of them might encounter the same problem. So they deliberately turned his way some of the customers that came in. This action on their part acted like a tonic, and as a result he made a fair number of sales, his job was saved, and he became a valuable member of the selling team in that department.

Development of team spirit depends largely upon the qualities of leadership possessed by the store or department manager. If he is genuinely interested in his salesmen and



TWO MEMBERS OF THE SELLING TEAM

The manager as well as the salesperson is a part of the selling team. The two must work together to give good customer service and to see that the store's system is flawlessly observed.

gives them every opportunity to live up to their abilities, they will probably give him their enthusiastic support and will co-operate with one another.

In large stores, where the department manager is the buyer who has duties in addition to those on the selling floor, a department leader may be appointed from among the salespeople themselves. This leader is usually called a sponsor. He takes charge of every newcomer in the department, and he is the one who is expected to arbitrate petty grievances and to reduce friction. The sponsor should be as well paid as any salesperson in the department even though he may not sell the most merchandise, for his qualities of leadership may be more valuable than selling ability.

In some department stores, the section manager rather than the sponsor is the team leader. The section manager is a representative of the service division of the store; he maintains discipline, supervises systems, and may handle customer complaints. However, some believe that this per-

son functions better as a critic of the service rendered than as the leader who develops team spirit. Moreover, it is argued by those who favor a sponsor that the section manager often distributes his attention over a number of departments whereas a leader is necessary in each. In some stores, however, service supervisors have been developed; they are free from some of the system responsibilities of the section manager and function effectively as team leaders.

A group of several people resembles a team not because they must co-operate with one another but because each has a distinct part to play. It has been said that every large department needs at least five kinds of salespeople: (1) the master salesman, who has a large personal following and who generally is at the top in sales volume; (2) the good storekeeper who, in addition to competent sales ability, is good at detail, checking the stock continually to see that it is kept up and properly stored and arranged; (3) the displayman, who has outstanding ability in arranging de-

A GOOD SELLING TEAM

BUYER

The Master Salesman

The Good Storekeeper

1

2

Cooperator

Displayman

4

3

Sponsor

5

CAN YOU PLAY ON THIS SALES TEAM?



GOOD STOCKKEEPERS

Good stockkeeping is an essential ability in order to work with others on a selling team. Where you are the only salesperson in a store good stockkeeping is absolutely necessary for your success.

partmental display, (4) the morale builder, who is liked by everyone else and keeps up the team spirit with his cheery, co-operative attitude, and (5) the sponsor, who has already been described as a team leader.

There is a tendency for many salespeople to aspire to be master salesmen and for master salesmen to feel that they are superior to the rest. But the good stock worker, the artist, the co-operator, and the teacher have just as important parts to play on the team.

The story is told that at one time Knute Rockne, the Notre Dame coach, found that his favorite backfield, the famous Four Horsemen, thought they deserved all the credit for the victories of the team. So in an important game, Rockne took out his first-string linemen who had been making the holes through which the backfield plunged. The third-rate line he substituted could not hold their opponents, and all the plays of the backfield were smashed. It was a lesson that was never forgotten. The Four Horsemen learned the hard way that the other members of the team were as necessary as they.

TEAM PROBLEMS ON THE SELLING FLOOR

1. Attitudes

- a.—Competitive
- b.—Superior
- c.—Careless
- d.—Discouraging

2. Sales grabbing

- a.—Grabbing customers out of turn
- b.—Taking over other teammates' sales

3. Splitting sales

4. Reprimands

5. Stock work

6. Two bosses

7. Promotion and recognition

Attitude of the New Salesperson

The new salesman may find the problems involving personal adjustment particularly difficult. He is often a failure, not because he lacks knowledge of the merchandise nor because he lacks selling ability, but because he cannot get along with the other salesmen or with his supervisor, whether his supervisor is the buyer, the sponsor, or the section manager. Of course, the fault may not be entirely his. The regular salespeople may, for example, put him through a kind of hazing process. But the new salesperson should not forget that he has much more to lose if he fails to adopt the right attitude than do the regular salesmen. He should, therefore, attempt to adjust himself to the situation.

The Competitive Attitude. Some of his personnel difficulties grow out of the attitude taken by the newcomer. He may be unduly competitive and may feel that he has to prove himself by going after sales. Instead of being impressed by his sales accomplishments, the experienced salespeople may feel resentful.

The Superior Attitude. On the other hand, the newcomer may be self-conscious and have a feeling of inferiority, but he may try to give the impression of being superior. Such a case was that of a new employee who was flustered by all the store systems and awed by the self-assurance of the regular salespeople. She stood apart, aloof, observing what was going on with what appeared to be a superior air, but that was actually a pose to cover her nervousness. The regular salespeople decided she felt that she was too good to associate with them and even the manager thought she was lazy and a snob. Feeling she was about to be discharged, she discussed the problem with her former salesmanship teacher. He explained to the young woman that her attitude was misunderstood. He told her she must try to ingratiate herself with the others by asking them for help and by expressing appreciation of their knowledge and accomplishments. She found that the advice was excellent and that the regular salespeople were pleased to have a newcomer appreciate their abilities. She was soon accepted as a member of the team and made rapid progress.

Of course, a few newcomers do have too good an opinion of themselves, but they merely antagonize the people who could help them. Unless they adopt a new attitude they will eventually lose out.

The Careless Attitude. The attitude of extra salespeople is often resented by the regular salespeople in the department. These extra salespeople are sometimes students who work on Saturdays, holidays, and certain afternoons and evenings. Too often extras act as though they are on a lark; they do not take their work as seriously as they should, and they are often careless about what they do.

Older and more experienced extras waste less time, but they tend to neglect stock work in their zeal to run up sales. They disarrange the stock that regular salespeople have carefully arranged; and they are often tactless in dealing with customers.

Discouragement. The beginner sometimes gets the impression that there is little future in retail selling because

he sees some experienced salespeople with years of service still earning comparatively small salaries. The truth is, of course, that many reasonably good salespeople lack the drive, the imagination, and the leadership that are necessary if they are to become executives, or if they are to advance to the best selling positions. One young salesman was disturbed when he found that his head of stock had held the same position for fifteen years. The young salesman asked him if he had an opportunity to advance. The head of stock said that he had been offered the job of assistant buyer a number of times but had deliberately turned it down. He explained that an assistant buyer has to assume much responsibility and that as a consequence his job is uncertain and he has many worries. He said he felt much safer in his job as head of stock, which he could fill satisfactorily. This experience opened the eyes of the young salesman to the great truth that many people do not want executive responsibility, even though they will not admit the fact. They prefer to develop a degree of skill and to perform routine tasks that do not require the making of difficult decisions. Hence, the young salesman who is not afraid of responsibility need not be discouraged because some people who are able salesmen have not advanced far.

Sales Grabbing

A practice that causes much friction among salespeople is known as *sales grabbing*. This is an attempt of salespeople to take advantage of their fellows by waiting on customers out of turn. It is generally the result of a commission payment plan, under which a substantial part of a salesperson's remuneration depends upon the amount of his sales. Sales grabbing takes two forms: darting ahead of other salespeople in order to get a prospect, and deliberately "taking over" a sale from someone else.

To welcome every potential customer with a foot race is certainly not conducive to making sales. As has already been pointed out, "lookers" and "browsers" should often be left alone, for they are more likely to buy if they are given a chance to examine goods at their leisure than if a

salesperson hovers at their shoulder. An obvious attempt to grab a customer from another salesman will, in most cases, drive the customer away.

There are a number of possible solutions to the sales grabbing problem. One is to pay salespeople a group bonus that is divided equally rather than on the basis of individual sales. For example, one department may have sales of \$10,000 during a month, with 1% or \$100 as a bonus to be distributed among salespeople. If there are 10 salespeople and they have all been present regularly, each will receive \$10, regardless of his individual sales.

While such a plan is likely to cure sales grabbing, it has its objections: (1) Some able and independent salespeople do not like it and are not properly stimulated by it; (2) Some salespeople tend to loaf, and it becomes the unpleasant duty of the rest of the force to insist that the shirkers do their share of the work; (3) It is difficult to apply if extra salespeople are employed.

A second solution for sales grabbing is to pay straight salaries only. But this plan may not motivate salespeople sufficiently. Moreover, the salesperson with large sales is more likely to receive an advance in salary than is the person with small sales; so there still may be some grabbing in order to establish good records.

Another solution to sales grabbing is the *call system*. This means that clerks wait on customers in a prescribed order. It is used a great deal in high-priced furniture stores and in home furnishings departments where there are relatively few customers at a time and where each sale may take a long time to consummate. Sometimes the floor manager keeps a list and calls on salespeople in turn as each customer arrives. Deviation from the established order is allowed only if a customer asks for a certain clerk or if the clerk whose turn it is is not available. This plan cannot be applied in busy departments where customers are many and sales are quick.

The basic solution to sales grabbing, however, is to be found in the development of a team spirit and a sense of fair play. If each clerk has loyalty for the store, respect

for the other clerks, and a real interest in customer service, he will co-operate with the others, regardless of the method of payment. With proper selling supervision, such a spirit can be developed.

Whose Sale?

A problem very similar to sales grabbing is that of deciding who is to have credit for a sale when it is necessary for two people to wait on the same customer. For example, salesperson A stood at one end of a selling counter and salesperson B at the other. A customer approached salesperson A who showed him some merchandise. The customer then said he wanted to look around and wandered over to the other end of the counter where he asked B to show him an expensive piece of merchandise and promptly said he would take it. At that moment A came over to see if "her" customer was ready for help and heard the customer's acceptance. A immediately said to B, "That's my customer and my sale; I'll take care of it." B became angry and replied, "That's what you think." An argument followed and the assistant buyer intervened. Instead of considering the customer's interest, as he should have done, he tried to decide who should have the credit for the sale. In the meantime the customer became distressed and, turning to all three, said, "If you don't mind, I'll go over to Blank's and get my merchandise," and away he went.

Salesperson B was not at fault in showing the customer merchandise; she may not have known that the customer had already talked to A. A was at fault in arguing before the customer; B was at fault in talking back; and the assistant buyer was at fault in putting the problem of the salespeople above the interests of the customer.

It is often impossible for one salesperson to maintain exclusive contact with a customer. The customer may examine goods, defer a decision, and come back later to purchase. The original salesperson may not be available or the new salesperson may know nothing of the previous contact.

Since such situations arise frequently and cause a great deal of ill feeling among salespeople, it would seem desir-

able for the store system to allow transfers of sales from one salesperson to another or even to permit the splitting of sales, or of commissions that are earned. After the customer is satisfied, the disputants could present the case to the department manager for arbitration.

Reprimands

Salespeople sometimes suffer the indignity of being scolded by a superior or by another clerk in the presence of a customer. The salesperson may be accused of loafing, of having made an error, or of showing a customer merchandise that had been earmarked for someone else.

Although salespeople often do make mistakes and need to be retrained and occasionally reprimanded, there is no excuse for arguments in public, for they generally create customer ill will. Such a thing happened when a customer complained to a salesperson that she had not received a set of silver plate, although a friend who had ordered a similar set more recently had received hers. The salesperson telephoned to the stock room and accused the clerk of playing favorites on deliveries. The stock room clerk became indignant and went to the selling floor to argue his case before the customer. Eventually, it was discovered that the friend had ordered a different pattern, which was available; but unfortunately, the customer was so upset over the squabble that she cancelled her order. Arguments between store employees are to be expected at times, but they should never take place before a customer.

How to Become Outstanding in Retailing

Although team spirit is essential, competition among the members of the force is desirable. Each salesperson is justified in trying to sell and earn as much as he can without injuring the rights of others and without jeopardizing the future sales of the department. Competition for promotion to an executive position is also desirable, for it develops more initiative than is likely if everyone is content with his position.

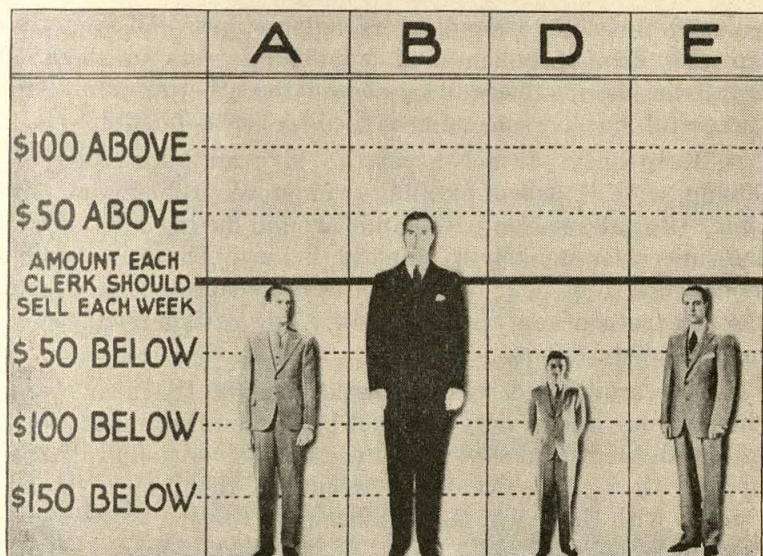
For the young person of executive ability who is unwilling to remain in one selling position indefinitely, the great problem is how to make himself outstanding in the eyes of his supervisors and at the same time to hold the goodwill of his selling associates. This problem is far from a simple one, but here are a few suggestions:

1. Be resourceful.
2. Show initiative.
3. Take an interest in your job.
4. Keep busy—be industrious.
5. Make influential friends.
6. Keep up your drive.

1. Do every job assigned to you to the best of your ability, and do not ask the supervisor for detailed instruction at every step. In school, students are accustomed to having teachers plan work for them in detail, and they often expect store supervisors to do the same. But the supervisor has many other duties, and, moreover, he may not be a good teacher; consequently, he gives general instructions and expects the salesperson to carry them out. Nothing exasperates a supervisor more than to be bothered again and again by a person to whom a job has been assigned. Hence, we may say that the first requirement of the would-be executive is that he be *resourceful*.

2. Do not hesitate to do a needed extra job. An occasional salesperson has made himself outstanding by preparing a merchandise and selling manual, which has afterward been adopted by the supervisor. In one case, a salesperson noted that the elevators did not run on a schedule. He made a first-hand analysis of the movement of the elevators during his lunch hours, wrote a report with recommendations, and submitted it to his superior, who passed it on to the management. His plan was accepted and introduced.

An ambitious salesperson might visit competing stores in his free time to compare their appearance, service, assortments, and values with those of his store. Frequently, this will make him a better salesperson by giving him greater confidence in his own department. Moreover, he



SUCCESS IN SELLING

Your sales record is a major factor in determining your value to the store. How do you measure up?

will acquire ideas that he can pass on tactfully to his department manager.

In every store there are numerous ways in which methods, systems, and collection of data can be improved. The store executives may have been too close to the operations to realize the need or too busy to attend to it. The salesman who takes the trouble to study and report on possible improvements will usually find that his ideas receive sympathetic consideration, even though they may be rejected. Some stores have a suggestion system. Salespeople and others are urged to make suggestions, and monthly prizes are awarded for the best suggestions or for all that are put into operation. Thus we see that the second requirement of the would-be executive is that he have *initiative*.

3. Leave outside interests at the store door, and avoid the habit of watching the clock. The salesperson who dashes out of the store the moment quitting time comes, who becomes upset every time he is asked to put in extra time, who

asks for time off to handle personal matters, and who relates his home problems and outside interests to all who will listen, is not likely to be chosen for a better job. The successful salesperson must have *interest* in his job.

4. Keep busy. It never pays to give an impression of loafing, even if one is puzzling over store problems at the time. If a salesperson just stands around during dull hours, the supervisor is likely to think he is lazy. There is always stock work to be done or some self-created project to which the salesperson can apply himself. The salesperson, then, must be *industrious*.

5. Get acquainted with the executives of the firm, even though your line of duty does not bring you into direct contact with them, and *show an interest in the major problems of the store*. The would-be executive, then, must *make friends* with those who have influence.

6. Keep up your drive. This can be done by living a life in which work interests are balanced by physical recreation and social activity. To become wholly engrossed in the job, to the exclusion of all other interests, will soon make one stale. When away from the job, the salesman should engage wholeheartedly in some recreation or avocation. In other words, the aspirant for bigger things must *balance his interests*.

Adherence to these six rules combined with ability on the job will largely determine the success of the salesperson who hopes to advance. It is commonly believed that success automatically comes to him who does his job well. But advancement will come only if the salesperson has an interest in and an ability to do a *bigger* job, as well as ability to do his present job satisfactorily.

VOCABULARY

Study the following words. Try to make them a part of your vocabulary.

Call system—A method of rotating sales equally among the sales force.

Extras—People employed for a few hours or a few days each week, depending upon rush periods.

Regulars—The basic force of a store, made up of employees scheduled to work a certain number of hours each day.

Sales grabbing—Competition among salespeople to wait on more than their fair share of customers.

Sponsor—The person charged with the responsibility of inducting new salespeople into a department.

Stock work—The duties of arranging, cleaning, and filling in stock for sale.

QUESTIONS ON THE CHAPTER

1. Explain what is meant by "team spirit" among salespeople.
2. What five kinds of salespeople should a large department have?
3. What is meant by (1) competitive attitude? (2) superior attitude? (3) careless attitude?
4. Give the solutions to sales grabbing.
5. How might one salesperson "take over" a sale and not cause friction?
6. What rule should govern the correcting or reprimanding of a salesperson?
7. Name six helps for earning promotion.
8. What is meant by a "resourceful person"?
9. Why must a salesperson have initiative if he is to be outstanding?
10. Explain how a salesperson can take interest in his job.
11. Why should salespeople adhere to the motto "keep busy"?
12. How can a salesperson make friends with other salespeople and superiors?
13. Explain what is meant by a "balance of interests."
14. Summarize the requirements for success in retailing?

PROBLEMS FOR DISCUSSION

1. If a salesperson is busy when her regular customer asks for her, is she entitled to any credit for the sale if completed by a second salesperson?
2. Should an extra salesperson agree to turn over her sales to a salesperson who is on a quota basis?
3. What should one salesperson do if she suspects another of *sales grabbing*?
4. Should extra salespeople be held responsible for stock work?

THINGS TO BE DONE

1. Report on the system used to combat "sales grabbing" in a store in your town.
2. Draw up a calendar showing the hours, days, and months in which "extras" are most likely to be used in a local store.

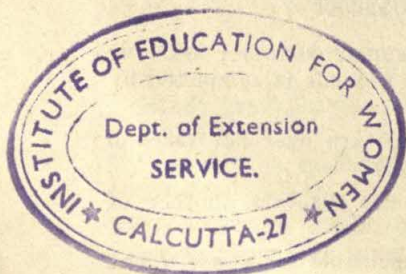
WHAT WOULD YOU DO IN THESE CASES?

1. A salesman offended the rest of the clerks so often by sales grabbing that they complained to the department manager. They all depended to a considerable extent on their commissions, and some had unusually heavy expenses at home because of illness. The manager decided to discuss the matter with the salesman.

Where should he hold the conference? Write out exactly what you think he should say to the offending clerk.

2. A customer for silverware was waited on by a saleswoman. The customer wanted a set of sterling silver and also some silver hollow ware. She took three hours of the clerk's time comparing different sets and prices and then decided to have lunch before actually making the very large purchase. To avoid any slip-up, the saleswoman gave up her lunch hour so as to be on hand when the customer returned. But she happened to be in the buyer's office at the moment, and another clerk approached the customer, said that the first clerk was out to lunch, and wrote up the large sale which earned her \$40.00 commission. The first salesperson found out what had happened and went to the buyer. He told the two girls to work out a fair and peaceful settlement but did not suggest what it should be. The second refused to "budge" and the girls became bitter enemies.

What should the buyer have done to settle the matter promptly and fairly and without leaving a feeling of ill will between the two girls?



CHAPTER XIX

IT PAYS TO ADVERTISE

"I should like to show you a method of advertising that will increase your sales 20 per cent in one week," said an advertising salesman to a small retailer.

"Sorry, I don't advertise," replied the retailer. "I can't afford it."

"Then how do people know what you have to sell?" asked the salesman.

"Oh, I just have a sign out front. Didn't you see it? Cash-and-Carry Groceries."

"Exactly, Mr. Retailer. You see, you do advertise. To many retailers advertising means printed matter reaching the customer from the store, but that is not the only kind of advertising. If you use signs or posters, you advertise."

"Is that so? I didn't know that."

"You advertise by the sign. You are informing people of the goods you sell and you are telling them of your cash-and-carry services. And, Mr. Retailer, you are paying for the advertising. Your signs cost you money. Now my idea is to extend the advertising you do now, at a little cost, and obtain 20 per cent more in sales."

The retailer was surprised to learn that nearly every store does some sort of advertising. It may be only a small sign, hand printed in pencil, announcing "Ice for sale," or it may be a very elaborate full-page newspaper advertisement, but there is always advertising of some kind. Present-day competition makes it necessary for a store to inform prospective buyers of what it has to offer and to get customers into the store. To be successful an advertisement must:

- (1) Have a message worth sending.
- (2) Use a medium that will reach interested consumers who are also able to buy.
- (3) Apply the principles of selling.

ADVERTISING EXPENSES IN DIFFERENT LINES

	Per Cent of Sales
Beauty shops	1.65
Department stores (\$150,000-\$300,000)	2.6
Department stores (\$1,000,000-\$2,000,000)	3.45
Department stores (\$20,000,000 and more)	3.4
Electrical stores	2.6
Florists	3.5
Supermarkets	1.3
Independent groceries (no meat)	0.5
General stores	0.7
Furniture stores (under \$125,000)	3.6
Gift shops	3.0
Jewelry	2.6
Meat markets	0.8
Men's apparel (less than \$100,000)	2.47
Men's apparel (over \$100,000)	3.6
Restaurants (table service)	0.6
Shoe stores	2.0
Specialty stores (\$300,000-\$500,000)	4.0
Specialty stores (\$2,000,000 and more)	4.7
Stationery and office equipment	1.3
Service stations	0.5

(From *Expenses in Retail Businesses*, National Cash Register Co.)

Purpose of Advertising

A leading advertising manager stated recently that the main purpose of advertising is not to increase sales but to help people buy. What he meant was that if merchants aim at immediate sales volume, they are likely to stoop to exaggeration of quality and blustering price appeal. Such appeals may move goods, but they break down the faith of the public in the institution of advertising itself. Sharp practices in advertising harden customers to future appeals and boost the costs of advertising to exorbitant heights in relation to the results.

Advertising, then, should above everything build goodwill. In fact, many stores now run two kinds of advertisements: (1) those that establish the reputation of the store in the community as a good place in which to shop, and (2) those that attract customers to specific merchandise. A balance between these two types is necessary today.

Small-Store Advertising Policy

Small stores often do not have a definite idea of what they are trying to accomplish through advertising. The small-store owner takes a chance that his advertising will bring results. If it does not, he begins to doubt the value of advertising. Because he does not advertise regularly and does not have a definite aim, the fickle public soon forgets his merchandise and his services. Occasional attempts to sell something through advertising generally fail. Consistent advertising over a long period of time is essential.

One retailer who wanted to build a reputation for carrying a wide assortment of goods always headed advertisements with "Everything in Hardware." People soon felt that any article of hardware could be found at the store. The prices of his merchandise were merely mentioned in small figures at the bottom of his advertisements.

Another retailer wanted to build a reputation for low prices for his store; consequently his advertising stressed low prices continually. Day after day his show cards, printed matter, windows, and salespeople all said "low price." The goods he advertised were all low-priced items. Such prices as 3 cents, 8 cents, and 11 cents were printed in red circles all over his advertisements. He followed this plan consistently, and customers soon felt that they could buy standard merchandise at low prices at his store.

The Selection of Goods to Be Advertised

In order to avoid waste in advertising, certain merchandise must be singled out for promotion. What goods in the store will get the approval of the public? What goods will bring customers to the store? The retailer must answer

these questions; but in order to answer them from the proper viewpoint, he must put himself in the customers' place.

The selection of the right goods to advertise is the most important single factor in sales promotion. Experienced advertisers know that even good advertising will not sell unwanted merchandise. Thousands of dollars have been lost in advertising goods for which there was no demand. One retailer who had a large stock of high-topped shoes for men and women thought he could move this unwanted goods by advertising. He failed! No amount of advertising will sell big, old-fashioned hatpins to women—the merchandise is simply not wanted. On the other hand, wanted merchandise can be, and often is, sold by poor advertising. A combination of the two, good merchandise and good advertising, will, of course, give the best results.

Stores cannot advertise all the merchandise they have in stock, because to do so would mean a large rise in advertising expense without proportional sales increases. Accordingly retailers must choose representative items that will bring to the stores the largest number of possible buyers and build the most goodwill.

Which Goods Should Be Advertised? Advertising fast-selling, popular items will bring customers into the store and will increase sales. Popular-priced stores generally feature articles that are in current demand. The advertising of these goods shows customers that the store is up-to-date and that it will sell them goods they want at prices they are willing to pay. A fast-selling item is usually one that has won the approval of the customers. It is generally merchandise in fashion or for which there is a steady demand.

On the other hand, the store with a policy of fashion leadership does not advertise the accepted best seller, but advertises instead the newer styles that the store believes will become the fashion. Its customers watch its advertisements for the new and the unusual things, not the established things. The customer who knows the policy of this type of store and is interested in getting the latest fashions

ITEM: PLASTIC HANDBAGS, \$1.59.

DATE: 5/20

NO. MY20B8-SC

MEYER BOTH Reports

CONSUMER
RESPONSE

★ FAIR ★★ GOOD ★★★ EXCELLENT ★★★★ SELL OUT

RESOURCE:

Carl Levine,
347-5th Ave.,
New York City.
STYLE #160 Range



Painted Plastics

CAF SUMMER BAG FASHION

1.59 each

Macy-low price for pretty, practical handbags—underarm bags, handle bags all made of immaculate white ribbed plastic, all with colorful posies or ferns painted on, posie linings inside. Nab one now! White, white with navy, turf, red, kelly, or black rayon-and-cotton faille trim. If you can't come in, write for styles shown, Macy's Street Floor, 347-5th Ave., New York City. Write: Mr. Murray Hill, Room 347-5th Ave., New York City. Please send this with no return address.

ALSO AT MACY'S-FABECHSTER

* Our large volume of cash sales—the small profit per transaction—are the foundation of our endeavor to save the prices of our merchandise. We reflect a 50 per cent saving for cash except on price-lined merchandise. All Macy merchandise advertised in this paper on sale tomorrow and Tuesday unless otherwise specified.

See Store in New York City News on Page 11 and 12

STORE: MACY'S
DEPARTMENT: MAIN FLOOR AISLE TABLE
DEPT. ACTIVITY: GOOD
SHOPPED: 4 TIMES
WEATHER: CLEAR, AV TEMP 68 DEG.

4 col x 6", Mirror, 5/17

Promotional Interest:

WHITE RIBBED PLASTIC HANDBAGS...MULTICOLOR PAINTED DETAIL...
POUCH STYLES...GOOD CONSUMER RESPONSE...ALL STYLES ACTIVE.

DISPLAY: None...stock loose on counter and on wall shelves behind counter.

Flash-back:- Other plastic handbags reported 9 times since 12/26

From \$7.95 at BLOOMINGDALE to \$2.95 at BLOOMINGDALE. Last reported:
ed: ** STERN'S, \$2.98 to \$5.00, 5/18

Factual Information:

Ribbed plastic...white...white with navy, turf, red, kelly, black.

- Underarm pouch...multicolor fern painted detail on front...contrasting rayon-and-cotton faille gussets, binding and flap...snap fastener on flap...monotone floral painted print cotton lining...change purse in wall pocket.
- Handlepouch...multicolor posy painted detail on front...contrasting rayon-and-cotton faille gussets, handle, binding, and flap...snap fastener on flap...monotone floral painted print cotton lining...change purse in wall pocket.

FORM COPYRIGHT 1941
MEYER BOTH COMPANY
NEW YORK CHICAGO

ERRORS IF ANY
ARE SUBJECT TO
CORRECTION

IN NEW YORK PHONE: MURRAY HILL 3-2370

A Confidential REPORTING SERVICE by MEYER BOTH CO., 369 LEXINGTON AVE., NEW YORK

A REPORTING SERVICE FOR ADVERTISERS

This is a report issued by an organization that reports on articles successfully advertised in large cities. The report not only tells what article has been successfully advertised, but also reproduces the advertisement in the upper right-hand corner of the report. Reports such as this help stores decide what to advertise.

is sure that she is getting up-to-the-minute merchandise when she buys what the store has advertised.

In most stores, however, the presentation of new styles and innovations should be put before the public cautiously. Many stores test the sales possibilities of new goods by a small advertisement or a small display to get the customers' reaction. Should the item take hold and the demand become brisk, the item may be stocked in larger quantities and a more aggressive advertising plan may be employed.

GOODS THAT SHOULD BE ADVERTISED

Type of goods in demand.

New fashions.

Distinctive merchandise.

Seasonal goods.

Popular-priced goods.

Good values for the money.

Not only do people desire new things, but many want exclusive merchandise. In the case of clothing, they desire something a little different in detail from what others are wearing—something distinctive. Merchandise that gives distinctiveness is usually an excellent selection for advertising.

Merchandise connected with some special occasion is suitable for advertising. Thus toys and gifts have high news value at Christmas time, hats at the Easter season, and flags around the Fourth of July.

Retail stores generally select for advertising, merchandise that has a distinct price appeal. This is because the majority of the people *must* economize, and nearly everyone has something of the bargain instinct. Fashion merchandise selected for advertising by popular-price stores should have the style features and the general appearance of expensive merchandise but should sell at low prices.

Merchandise That Should Not Be Advertised. Many advertisers make the mistake of regularly featuring leftovers, slow-selling goods, and old stock. They do this in the hope of covering up buying mistakes. This type of goods fails to attract customers unless there is a distinct price concession. Even salespeople do not like to sell old and overstocked merchandise. One salesperson remarked: "I get tired of trying to sell these hats we have had here for the past few months. I can't put any enthusiasm into the sale because I know there is much better merchandise available." Of course there is room for the occasional advertising of clearances, where prices are sharply reduced.

One retailer advertised a good quality woolen blanket for sale at \$5.98. The advertisement brought many buyers to the store. The retailer failed, however, to state in the advertisement that he had a limited quantity on hand. He was soon sold out and when customers asked for the blanket, he tried to sell a substitute. Many people suspected a trick and left the store without making a purchase. This retailer made the mistake of advertising merchandise of a very limited quantity. He lost a great many customers through this advertising blunder. Merchandise that is so limited in quantity as to be insufficient for the demand created by the advertising is better sold through display or through direct-mail advertising.

Similarly, merchandise that cannot be quickly reordered may not prove a good article for advertising purposes. The advertising may create a demand that the store will not be able to meet, and the result will be a lowering of the store's prestige.

It is often a great temptation to insert an advertisement for goods before they arrive at the store. A delay in shipping may, however, result in the goods not being on hand when customers call for them. To maintain their customers' goodwill, stores have been forced to sacrifice higher-grade merchandise at lower prices.

Goods that have not been moved by previous advertising should not be advertised again unless there has been some change in the situation that makes it seem probable that

the goods have become more salable; otherwise the second advertisement will be wasted.

Finally, no goods should be advertised without salespeople being informed about the offering. There are few situations more exasperating to a customer than to have salespeople show ignorance about the goods advertised.

CHIEF ADVERTISING MEDIUMS

Newspaper—display, classified.

Magazines.

Program announcements.

Direct mail—letters, cards, package inserts, leaflets.

Radio and television.

Outdoor posters, painted signs, electric signs, signs on billboards and trucks.

Car cards.

Handbills.

Shopping news.

Inside posters.

Selecting Mediums

The advertiser is faced with the problem of determining the mediums through which he will tell about his goods. The choice of a medium depends upon what is to be advertised and the habits and customs of the possible customers who are to be reached.

Word-of-Mouth "Advertising." The recommendation of satisfied users is the best publicity a store can obtain. But technically it is not advertising since it involves a medium that the store cannot buy. Goodwill can only be obtained by selling "goods that won't come back, to customers who will."

Although the statement by one satisfied customer to another is the best form of publicity, it can seldom be



NEWSPAPER ADVERTISING

The newspaper is the chief advertising medium for the retail store.

wholly relied upon by a store. It is too slow to sell specific lots of goods that are not regularly carried in the store's stock. This applies to most fashion merchandise. It does not produce quick results because it takes time for the word to pass around.

Newspaper Advertising. Nearly everybody reads a newspaper. Men, women, and children enjoy its various features and sections. The newspaper finds its way into the homes of rich and poor alike. Even though it is true that the newspaper is the chief medium for the retail store, a careful study of the character and the circulation of the paper is made by large stores before they place their advertisements in it. They want to know how many and what class of people read that newspaper. They want information as to what parts of the city the newspaper serves best, what parts it serves least, and why. Large stores know that newspapers are read very quickly in the morning and more

slowly in the evening. They realize that most people during the morning rush hours seem to have time to read only the headlines or a few special features.

The printed newspaper advertisement must be especially attractive to get attention. It is placed alongside the advertisement of many of the store's competitors. Its illustrations must therefore be distinctive so that the reader will recognize the store's advertising at a glance. Special problems about newspaper advertising may be solved with the help of the newspaper's advertising staff.

Stores that are located in downtown sections of a city and that draw their customers from all parts of the trading area find that the newspaper advertisement attracts customers to the store in sufficient numbers to insure adequate sales and to yield a satisfactory net profit. Neighborhood stores, however, which have a smaller trading area, do not use the general newspaper because all the circulation outside its immediate area is wasted and newspaper rates are on the basis of the entire circulation. In some larger cities there are weekly newspapers that cover just part of the city, and these are valuable advertising mediums for neighborhood stores.

Selecting the Paper. In large cities where there are a number of newspapers, a big problem is to decide which paper to use, or if more than one is used, how much space to use in each. A large store will probably use all the newspapers. The newspapers reaching the upper-income groups are used for the higher-priced goods, and the popular papers, including the tabloids, are used for the lower-priced goods. When both morning and evening papers are used, relatively more space is used in the latter.

The best newspaper is the one that reaches to the largest extent the groups to whom the store caters. The population in the poorer districts of a large city may be able to buy very little, and yet many of these people read the newspapers. An advertisement in a thousand copies of a newspaper that enters a well-to-do part of the city may sell ten times as much goods as the same number of copies of the same newspaper entering a poor district.

Magazine Advertising. Since the circulation of magazines is usually national rather than local, magazines would seem to be a poor advertising medium for most retail stores. There are times, however, when retail advertising in magazines is desirable. Chain stores and some associations of independent stores have units all over the country. The national circulation of magazines is not wasted in such cases because nearly any reader of the magazine has access to one of the chain's or the association's outlets.

Program Advertising. Many stores pay for announcements in programs. But these do not have a long life and they usually represent a donation by the store to a local event rather than a serious attempt to get results through advertising.

Direct-Mail Advertising. Direct-mail advertising is favored by many merchants. For one thing, they can offer merchandise to the public without informing competitors about it. Some stores like direct-mail advertising because small, distinct classes of people can be addressed in a personal manner. Results of direct-mail advertising can be easily determined, and expenditures for this medium of advertising can be controlled accordingly.

Stores contact their customers by letters, post cards, bulletins, leaflets, booklets, envelope enclosures, package inserts, and folders. The mimeographed form letter does not receive as much attention as the individual typewritten letter, but the individual letter is expensive if the mailing list is long. The quality of the stationery used in direct-mail advertising is important. A well-known eastern store found that mailings on high-grade bond paper produced 100 per cent better results than those on a cheaper grade.

Careful compilation of mailing lists will frequently bring new customers into a store. One merchant divided his lists into two sections. He had a list of his present customers, which he kept up to date from his sales checks; to this group of customers he sent advance notices of coming sales and of special merchandise of interest to them. The second section of his mailing list he compiled by consulting tele-

phone and city directories for certain classes or types of customers that he wanted. For instance, if he expected to run a sale of books that were of interest to teachers, he compiled his mailing list from names and addresses of teachers in the city directory.

Voter lists, club memberships, newspapers, and records of newcomers obtained from renting agencies and milkmen also prove fruitful sources for mailing lists. Some stores, not in competition with each other, exchange mailing lists. In one department store birth statistics were used as a basis to sell baby cribs and carriages. Many sales may be made by appealing directly to children. Birthday cards may be sent to them. Records of marriage licenses also provide a good list for the sale of home furnishings. Appropriate classification is the key to the successful use of a good mailing list.

Radio Advertising. The larger stores use the radio as a medium for advertising. A few department stores own broadcasting stations and make frequent reference to the goods and the services of the store. Many stores present a definite program at scheduled times. One large department store builds goodwill by giving a program each evening for children. Juvenile talent is broadcast and birthday wishes are expressed. The children get their parents to listen in, and thus the name of the store, its activities, and its merchandise are brought to the attention of the public.

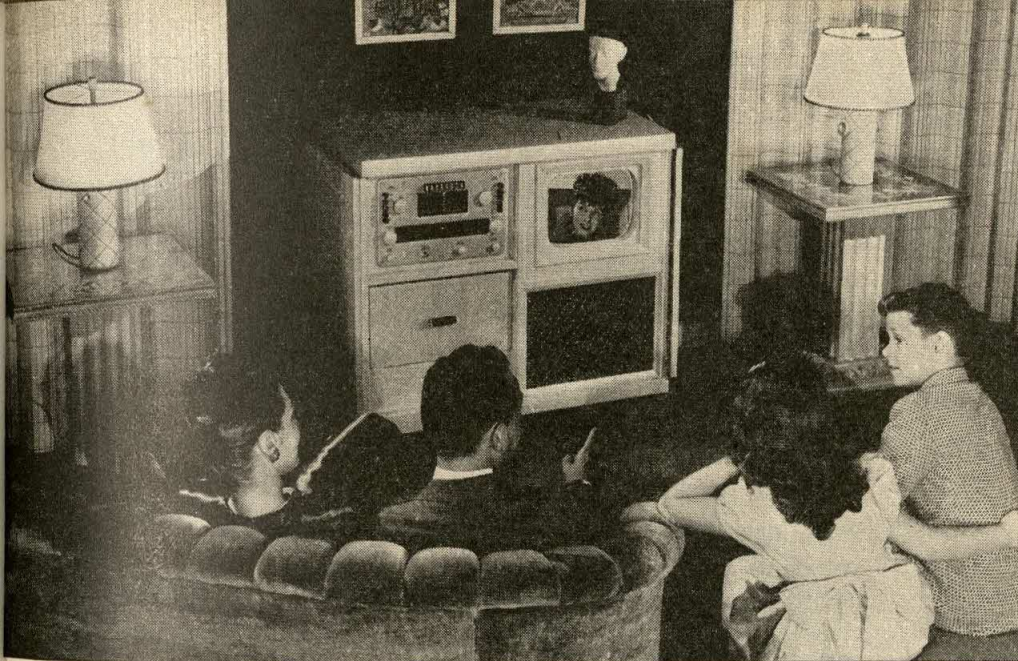
One Iowa store has developed a radio program for farmers that has won national awards. It talks to the

Columbia Broadcasting Co.



RADIO ADVERTISING

The quiz and give-away type of show has been popular with audiences and advertisers. Phil Baker is pictured here on Eversharp's "Take It or Leave It" show.



RECEIVING A TELECAST IN THE HOME

This new medium of advertising is growing rapidly.

farmers in everyday language about their immediate farming problems and also makes mention of specific merchandise offerings.

A novel plan in which a group of department stores are participating involves the preparation of scripts about the most popular fashion merchandise selling currently in the stores. Couturiers from Paris then present these scripts over the air. This tie-up of fashions currently available in the local stores with famous fashion designers attracts a great deal of feminine interest.

When specific goods are promoted, the radio advertisement must contain all the elements of the written advertisement and generally some form of entertainment. Word pictures, drawn by the expressive voice of the announcer, take the place of illustrations. The time of broadcasting is important. Some stores like to go on the air just after a very popular radio program so that they can take advantage of the audience that has its dials tuned to that station.

Most small stores think radio advertising too expensive. Some, however, select a small local station and use a minute spot advertisement that is announced between programs.

This takes the form of an announcement about goods or services, with emphasis on the store and its location.

Television is becoming an important advertising medium and is destined to become even more important as time goes on and as sets become more popularly priced. The opportunity for stores to present motion pictures of goods to customers in their own homes may revolutionize the advertising business. Television is also being used inside the stores, with screens set up at key points and the announcements all televised from one point in the store.

Outdoor Advertising. The chief purpose of outdoor advertising is to build prestige for the store rather than to advertise special merchandise. It may be divided into four classes—posters, painted signs, electrical displays, and miscellaneous exhibits.

Posters and painted signs are displayed on buildings, fences, or specially constructed stands. There is, however, a growing feeling against the placing of billboards along highways. It is argued that they spoil the scenery for motorists, and that as they take the motorist's attention from his driving, they are in some cases actually dangerous. Stores that use billboards should, therefore, be careful where they place them.

The electric sign is recognized as an important medium in advertising. The lights are usually moving and sometimes are colored. Smaller stores often use stationary signs. The choice of the illustration is a major problem and should receive careful study. If the illustration is the only part of the sign that can be seen, the money spent on it may be wasted.

Outdoor advertising for stores often includes banners, floats, advertising vehicles, and motor cars, as well as the posters and signs discussed above.

Car-Card Advertising. The modern streetcar, bus, or subway serves as a medium for advertising. Car cards are read daily by people of every class. Car-card advertising is not adaptable to all classes of goods, and judgment should be exercised in its use. It is of value in advertising the store

itself, some special lines of goods, or a special sale. Street-car advertising has the advantage of delivering its artistic appeal along with the message to customers who are at leisure for a good length of time. But not more than one quarter of the passengers are able to see that message, since a person's vision includes only one half the card advertisements on one side only. Manufacturers have been very successful in advertising articles of universal appeal through this medium.

Handbill Advertising. Small neighborhood stores advertise *specials* or *leaders* by means of a printed advertisement that is distributed to each house in the neighborhood. Most of the bills have the names of the articles for sale and the prices. The retailer often feels that he should try to get as much on the paper as possible. That is the wrong idea. The object of this type of advertising is obviously to get the customer to come into the store. The specials or leaders advertised are the drawing cards. What often happens is that the customer comes in and asks for the specials only. To overcome this, the retailer should advertise only one or two leaders and should use the rest of the advertisement for regular merchandise of good value.

Retailers frequently get poor results from the use of handbills. Most people dislike having advertising matter stuffed under door mats or around door knobs or thrown carelessly on front porches or lawns, and they show their feelings by not trading with the merchant. The larger stores that use this form of advertising often employ a distributing company to do the job for them. These companies have men who are trained not to walk across lawns or to litter up lawns, porches, or shrubbery with carelessly tossed handbills, but to place them where the housewives can conveniently take them in. The store that uses a distributing company is also sure that the entire amount of advertising matter will be distributed from door to door.

The *shopping news* is a newer form of the old-time dodger. Stores in a community get together to put out a paper devoted entirely to advertising. These are distributed

directly to customers' homes and often bear the advertising message at less expense to the store than does a similar advertisement in the local newspaper. In fact most shopping news editions are the outgrowth of dissatisfaction with the rates or service of local newspapers. They have been used in some instances to force concessions from newspapers and then have been discontinued. Others have continued as a supplementary medium. In general it should be noted that an advertisement in a shopping news is less likely to be seen than is one appearing in a newspaper, because the reader's interest is not called to different pages in the shopping news by news items such as appear in newspapers.

Inside Posters. Larger stores that have a great deal of traffic passing through the aisles find inside posters even more important than outside posters. These are placed near entrances, on elevators, near escalators, and at other key points. They attract customer attention to special offerings in various departments and to special services such as fur storage. A variation of the poster is the inside handbill that customers pick up as they enter the store. It is a sheet or "flyer" of one or two pages that advertises the special offerings of the day. Some stores limit its use to specials not advertised in the newspaper.

VOCABULARY

Study the following words. Try to make them a part of your vocabulary.

Medium—Any means through which an advertising message reaches the public.

Direct-mail—An advertising medium which makes use of mailing lists. Letters, post cards, and other mailable material go direct to customer.

Billboard—A form of outdoor institutional advertising making use of available space along highways.

Handbill—A printed advertisement that is distributed to each house in a neighborhood or to customers entering a store.

Telecast—A television program.

Car card—A card on a trolley or a bus that contains an advertising message.

QUESTIONS ON THE CHAPTER

1. What three things must an advertisement have if it is to be successful?
2. *a.* What kind of articles are generally advertised by stores with a policy of fashion leadership?
b. What goods are generally advertised by popular-priced stores?
3. What kind of goods may be successfully advertised
a. At Christmas?
b. At Easter?
c. Around the Fourth of July?
4. What kind of goods should not be advertised? Why?
5. *a.* Why is it dangerous to advertise merchandise of a very limited quantity?
b. Why is it unwise to advertise goods before they arrive at the store?
6. What is meant by word-of-mouth advertising?
7. What information should a merchant have about a newspaper before he uses the newspaper as an advertising medium?
8. *a.* What kind of goods should be advertised in the popular newspapers?
b. Is more advertising space used in morning or in evening newspapers?
9. Why are magazines a poor advertising medium for most retail stores?
10. Name the different kinds of direct-mail advertising used by stores?
11. Why is radio advertising not used very often by small retail stores?
12. What is the chief purpose of outdoor advertising?
13. Give the four main classes of outdoor advertising.
14. For what three purposes may car cards be used advantageously?
15. What is the main purpose of handbill advertising?
16. *a.* Why do handbills so often bring poor results?
b. What is the remedy for this?
17. *a.* What is a shopping news?
b. What is its purpose?
18. How are inside posters used in large retail stores?
19. How do stores use the "flyer" to supplement their newspaper advertising?
20. List ten advertising mediums covered in this chapter.

PROBLEMS FOR DISCUSSION

1. Why is the advertising of a small store often unsuccessful?
2. Which mediums of advertising have the brightest future?
3. Does it pay to use handbills when so many housewives become irritated at having to clean them off porches and lawns or from under shrubbery?

THINGS TO BE DONE

1. List the sources in your town of names for a mailing list to which a merchant could send letters advertising slip covers for automobiles.
2. Examine a city newspaper and list ten articles advertised by stores that it seems wise to advertise. Then list five articles that it seems unwise to advertise. Compare the lists with those of others in the class who have examined copies of the same newspaper. Discuss the wisdom of the selection of the different articles advertised.

WHAT WOULD YOU DO IN THIS CASE?

You, as manager of a haberdashery store with a sales volume of \$50,000 per year, have just convinced the owner to advertise. He tells you to go ahead. You must select the items, the mediums, the layouts, and copy for your advertising. How would you go about it?

CHAPTER XX

WRITING ADVERTISEMENTS THAT SELL

What a Good Advertisement Does

"Try 'em before you buy 'em," shouted a huckster as he slowly drove his truck full of oranges up and down the streets. "I wonder what he is selling," a housewife asked herself. She looked out of the window and saw the oranges in the truck. "He must be sure they are good," she reasoned; "otherwise why should he allow sampling? The last dozen oranges I bought were not so sweet. If I had had the chance to taste them, I would never have bought them; so I'll try these this time." She approached the truck and saw three oranges cut into quarters. The huckster greeted her cordially with a pleasant smile and said:

"These tree-ripened oranges are big, sweet, and juicy—try one, madam." The housewife did.

"Yes, they taste all right. How much are they?"

"In a regular fruit store, this grade of oranges sells for 59 cents a dozen, but since I have very little expense, I sell 16 oranges for 59 cents."

"All right," replied the housewife, "I'll take 16."

The transaction was completed; but as the huckster thanked his customer he added, "I'll pass by here every Monday, Wednesday, and Friday. Would you like me to stop again?"

"Yes, I'll buy some more if I am satisfied with these."

"That's fine. I know you will be!"

The huckster soon built up a regular route of steady customers. They no longer wanted to taste his oranges; he had gained their confidence. Even the children knew him by his peculiar sing-song cry. When they heard it, they ran to tell their mothers, "Here comes 'Try 'Em Before You Buy 'Em.'"

Psychology of Advertising. An analysis of the selling psychology of this successful huckster reveals a number of

the fundamental principles of good advertising and selling. (1) His advertising ("Try 'em before you buy 'em") *reached the customer*. He brought it right to her home. (2) It *attracted attention*. (3) It was *repeated* over and over in the same manner. (4) It was an *unusual* sentence. (5) It *developed* interest because it aroused curiosity. Many housewives looked out of the window to see what he was selling. (6) It *appealed* to the *thrift instinct*. (7) It appealed to the *sense of taste*. (8) It *took the customer to the point of sale*, in this case the truck, where personal salesmanship completed the sale.

Retail advertising, however, is not quite so simple. Most merchants cannot bring goods to the homes of their customers and shout their selling points. But retailers must aim to achieve the same result (get the customer to the store, ready and willing to buy) through other channels. In order to do this, advertising must contain certain elements that produce the desired action.

Attracting Attention. To possess value, an advertisement must be seen, or it must be heard. Consequently the problems of attracting the eye and the ear should receive serious thought when an advertisement is prepared. Psychologists tell us that attention must be caught and held before a message can be impressed upon the mind. Speakers have found that they get attention by means of contrast. If the audience is noisy, the speaker suddenly stops. The attention is immediately focused upon him. A teacher may get the attention of his class by some sudden action in contrast to what has been happening. If, for instance, he has been explaining a problem at the front board and finds the attention of his pupils wandering, he stops talking and walks quickly to the side board. His class is attentive once again.

The advertisement cannot perform its function unless it attracts the attention of the customer. In written and printed advertisements, various methods are used to catch and to hold the reader's attention. Illustrations, vivid colors, decorations, preferred positions, unusual lettering, clever spacing, strong headlines, and short, forcible sentences at the beginning are some of the devices used by advertisers

WHAT EVERY ADVERTISEMENT SHOULD DO

These four steps are found in every type of selling, whether an advertisement, personal salesmanship, or a sales letter.

1. Attract attention.
2. Develop interest.
3. Create desire.
4. Induce action:
 - a. Go to the store.
 - b. Decide to visit the store when in the market for type of goods advertised.
 - c. Telephone to the store.
 - d. Order by mail.

to secure attention. Over the radio, unusual sound, contrast in voices, and preferred hours attract and hold the attention of listeners.

Developing Interest. Attention is momentary. When it is held for any length of time, we call it interest. It is obvious that an advertisement cannot do all it is to do in a fleeting moment. The attention must, therefore, be prolonged into interest. People are always interested in matters that relate to themselves; hence they are interested in merchandise that fills their needs or desires. The advertisement should, therefore, tie up the merchandise with the customer's needs and thus arouse the customer's interest. Descriptions of merchandise should, generally speaking, be nontechnical. Nothing will make the average reader turn away from an advertisement more quickly than long, wordy explanations and technical descriptions.

Creating Desire. Successful advertisers, like successful salesmen, are students of human nature. They know that all customers are alike in that they have basic instincts and desires and respond to certain common appeals. They try, therefore, to create a desire for their merchandise by appealing to their customers' emotions as well as to their

Best & Co.

Fifth Avenue at 35th Street

Garden City

Mamaroneck

East Orange



Best's sturdy Moccasin-Type Oxfords are playtime favorites

These are the shoes for *active* boys and girls—youngsters who are “on the go” from sun-up to sun-down. Your children will want to live in them because they’re light as a feather — give a wonderful barefoot feeling and correct support. Made of a sturdy elk-tanned calf with crepe or rubber soles, they’re unlined — exceptionally comfortable. Sizes $8\frac{1}{2}$ to 12, 3.75; $12\frac{1}{2}$ to 3, 4.50.

FOURTH FLOOR

AN ADVERTISEMENT WITH A “YOU” ATTITUDE

Notice the customer point of view in both illustration and copy. Observe how the eye is attracted first to the children, then to the shoe, then to the headline, and finally to the copy.

reason. Among the buying motives appealed to are hunger, curiosity, imitation, companionship, pride, ambition, a desire for good health, a desire for comfort, and a desire for pleasure.

Just which buying motive or motives should be appealed to depends upon the kind of goods being advertised and the kinds of customers to be reached. If an appeal is to create a desire for the goods, it must have the *you* attitude; that is, it must answer the questions that are always in the customer's mind: "What will the goods do for me?" "Why should I buy them?" "How shall I benefit by their possession?"

KINDS OF ADVERTISEMENTS AND PURPOSE

Institutional—Service
Prestige

Merchandise—Regular price line
Promotional
Clearance

Inducing Action. If all the preparatory steps of an advertisement have been carefully planned, the desired action should result. Advertisements are of two types: (1) those that are to produce immediate sales (bargain and clearance), and (2) those that are designed to create a favorable attitude toward the store or a specific department (regular price line and institutional). With the latter type the purpose is to make an impression on the customer so that when he is in the market for goods he will buy from the advertiser even though it may be at some later time. When standard goods at regular prices are presented or when the policies, services, and distinguishing features of the store are stressed, as in institutional advertisements, immediate action on the part of the customers is not generally being sought. Most advertising in which special goods are fea-

tured is of the immediate-action type and is designed to bring quick results. In this case the action suggested (usually at the close of the advertisement) should be easy to perform. It may involve a trip to the store, the filling out of a simple order coupon, or even making a telephone call. In many instances advertisers induce action by calling attention to the fact that there is a limited supply of an article.

Parts of an Advertisement

The five major parts of an advertisement are the *headline*, the *illustration*, the *copy*, the *layout*, and the *signature plate*. The headline is the word, phrase, or sentence, usually in large type, at the beginning of an advertisement that attracts attention or creates interest. Illustrations also attract attention and help to create desire for the goods. The copy is the text of the advertisement that assumes the function of creating desire and inducing action. The layout is the arrangement, size, and spacing of the headlines, illustrations, and copy matter. It involves the framing of the advertising picture and determines where each of the major parts of the advertisement will be placed. The signature plate is the store's name and address, and possibly other identifying information such as the store telephone number and store hours. It should usually appear at the same spot in every advertisement and be set in the same style of type.

Headline and Illustrations. Successful headlines and illustrations describe and portray goods from the customer point of view; that is, they stress uses and benefits of the merchandise to the consumer. Also they generally supplement one another: the idea expressed in the headline is illustrated too. The best headlines are those that give "use" information or specific facts about goods as well as naming them.

Copy. If the small retailer looks in newspapers and magazines for the various types of copy listed on page 414, he will soon be familiar with the kinds of copy and the merchandise with which each is used. He should practice writing



Good Housekeeping

PREPARING AN ILLUSTRATION

each of the kinds of copy to determine in which style he can best express himself.

Copy is so important that, in the larger stores, professional copywriters are employed to complete the appeal suggested in the headline and the illustration. The first point about copy is that it should follow through or develop the idea expressed in the headline and the illustration. In fact, one of the most successful copywriters for women's clothes never tries to write copy until she has consulted with the artist in charge of preparing the illustration and the layout. The two work together to insure perfect harmony.

A successful copywriter once said, "I write as though an individual customer were standing in front of me and I were talking to him, trying to convince him why he should have the merchandise. I write from his point of view—how he looks at the merchandise and what it will do for him."

KINDS OF COPY—PSYCHOLOGICAL APPROACH

Reason-Why Copy:

- Testimonial by a user.
- Performance of the merchandise.
- Test made to prove quality.
- Construction details.
- Likelihood of price rise.

Human-Interest Copy:

- Humor.
- Fear.
- Story.
- Predicament.

Rationalization Copy:

- Human-interest appeal clinched by reason why.

Since the customer is nearly always interested in details about goods she plans to buy, complete and specific merchandise facts should be included. For example, it is better to say of a fur muff, "Slide-fastened handbag compartment contains mirror and pocketbook," than to say, "A muff that's also a handbag with accessories."

The language used also should be in the simple phrases people use, not in elegant ones. Thus in using dialogue in advertising an evening dress, it is better to say, "Gee, honey, you look like a million tonight," than "I have rarely seen you so rapturously beautiful, so bewitching and charming as you are at this instant."

Layouts. Successful layouts have a definite starting point—that is, there is some point in the headline or illustration that gets the attention at the start. The layout then should be so arranged as to lead the eye of the reader in regular sequence to other parts of the advertisement that will create interest, desire, and action. See the example in the advertisement on page 410.

The typography of the advertisement is also of importance in creating a pleasing impression. This means the

The Veronica Lake Shirt, \$3.95. The dazzling, diminutive Veronica wore this shirt for the photograph--and for all we know, she may be wearing it right this minute, for she liked it so well that we promptly sent her one in every color! You'll like it just as well, etc.

REASON-WHY COPY—TESTIMONIAL

We earnestly recommend that you buy Hudson Seal Coats now! Here's the reason why: All market conditions point to continued rising prices. The early freezing of our northern ponds resulted in shortage of catch, etc.

REASON-WHY COPY—PRICE RISE

"You haven't got a safety pin, have you?" Nothing, we suppose, is quite so pathetic as the sight of a full-grown man in pursuit of a safety pin to keep his shorts up. (Goes on to state that the buttons on the advertised shorts are there to stay.)

HUMAN-INTEREST COPY—PREDICAMENT

What is the use saying "No" when the youngsters want to play "horsey"? The Sackville \$37.50 will stand plenty of abuse. Plenty of fathers have the reputation among their children of being grouches. They are just afraid that their clothes won't stand mauling. (Goes on to give the details about the suit that make it able to withstand hard wear.)

RATIONALIZATION COPY

RULES FOR WRITING HEADLINES AND COPY

Objective

Give information in the headline, in addition to naming the goods.

Develop one outstanding idea that carries through from headline to copy.

Give complete facts about the goods and related services.

Be accurate in statements, avoiding exaggeration.

Use good business English—short words, sentences, and paragraphs and simple style—so that ideas may be grasped easily with no necessity for rereading.

Include an urge to action.

Subjective

Write from the customer's, not your own, point of view.

Write in the language a customer might use in enthusiastically reporting your merchandise offering to a friend.

Write as though talking to the customer.

Express ideas in new and "pithy" ways.

type face or combination of type faces that is used. Each store should settle on a definite style of type and adhere to it, so that a customer may recognize the store's advertising from the typography at a glance.

Testing Advertisements

One of the chief weaknesses of retail advertising today is the failure to pre-evaluate results. Thousands of dollars are spent for space in mediums without determining whether an advertisement contains the facts the customer wants. Too frequently there is no expert checkup to find out whether the technique employed really leads from attention to interest, to desire, to action. Thus a large store advertised women's hats for cruise wear with no mention of the material, a fact that every woman wants to know before

THEY

Scully Spring
protect—they fi
big advantage of
metal clip-cover m
smooth and tight-
whole length of t
over the spring clip
ends; tight everyw
fine-looking job. If
not supply, send u
gether with name an
ear and we will see
formation.

Sci

SPRING PRO

**Principal uses
of Bon Ami—**

for cleaning and polishing

Bathubs
White Woodwork
Aluminum Ware
Brass, Copper and
Nickel Ware
Glass Baking T
Wind M

**One dollar
a pair**

GRE

**THE BURT and BACKARD
"Korrect Shape"**

(LOOK FOR THIS TRADE-MARK STAMPED ON SOLE)
Wear the Smartest Styles—
Certainly!

But get real foot comfort
"Shape" shoes.
Particular in
because

use
HEARY Wardrobe Trunk
every day in the year

It is not enough
for a chest to
smell like cedar!

REAL protection from moths
dust and dampness is fou
in a chest where the

**ORGANIZA
RESOURCE**
all these sc

WHETHER you figur
scraper, an indu

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INST

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Period

Art

covered—and
unfailing way 1
**Smothered unc
fire is**

Shot out in a sw
equipment, mil
heat-resisting
any burning ob
tight blanket u
ally impossible

This fire-smoth
ceilings, floors—fl
despite drafts—p
it out

Foar

New York C

Sale-
Copyright, Palmite-Childs C

TYPOGRAPHY

Type faces have a character of their own. Which do you find attractive?

Check List for Advertisements

Date of advertisement _____ Merchandise _____

Newspaper _____

Space _____

Do headlines, illustrations, and copy all portray goods from the customer's point of view? _____

Do headlines and illustrations have the same theme? _____

Does the headline name the goods? _____

Does the headline tell something about the goods? _____

Is there a definite starting point? _____

Is there a clear-cut sequence to the advertisement? _____

Does the copy follow through on the headline? _____

Does the copy observe the principles of unity and emphasis? _____

Does the advertisement contain an urge to action? _____

Does it give complete and specific facts about

Price? _____

Style features? _____

Construction? _____

Workmanship or quality? _____

Points of superiority, if any? _____

Sizes? _____

Suitability? _____

Uses? _____

Benefits? _____

Special services, if any? _____

Store's exclusive right to sell, if any? _____

Quantities? _____

CHECK LIST FOR ADVERTISEMENTS

she visits a store to select a hat. This omission led to complete failure of the advertisement to sell hats.

Stores are beginning to develop check lists to pretest advertisements. This is being done in order to insure that advertisements have all the facts that customers expect and that certain standards of copy and layout are observed. In general, it has been found that there is a tendency for retail advertisers to give too few specific facts about the goods offered. They need to learn the lesson that the mail-order houses have mastered, "The more you tell, the more you sell." The illustration on page 418 is an example of a check list. If any question about an advertisement cannot be answered in the affirmative, the advertisement usually should be revised.

Checking Results. Careful records should be kept in a scrapbook of the facts indicated below about every advertisement that has immediate sales as an objective.

A standard should be set up in regard to a reasonable ratio of cost of the advertisement to sales of the advertised item during two or three days following the advertisement. This applies particularly to promotional advertisements as contrasted with regular price line advertisements that may result in sales many days after being read. While the average ratio for promotional advertisements will vary in different stores, a ratio generally considered satisfactory is about 15 per cent; that is, \$150 spent on an advertisement should bring a direct sales response of approximately \$1,000. Many advertisements, however, have a much higher cost. For example, in one well-run department store five hundred advertisements were analyzed and it was found that one half of these had cost ratios above 30 per cent.

This cost ratio should not be confused with the ratio of advertising to total sales. This latter ratio runs a great deal lower because in most stores the great majority of sales are on unadvertised goods. When the cost ratio is higher than the standard, a careful analysis should be made to determine why the advertisement was unsuccessful. This will avoid repeating mistakes. The record will also be of great value in planning repetitions of past successes.

RECORDS TO KEEP OF EACH PROMOTIONAL ADVERTISEMENT

1. A copy of the advertisement.
2. The newspapers used.
3. Supplementary mediums used.
4. The cost.
5. The weather.
6. The amount of sales of the advertised item for two days following the publication of the advertisement.
7. The ratio of cost of the advertisement to sales.
8. Comments on unusual conditions and reasons for success or failure of the advertisement.

Helps for Advertisers. The beginner in advertising should secure the help of the local newspaper's advertising experts. In many instances wholesalers and manufacturers offer excellent help.

A retailer who was particularly successful in his advertising explained his methods and procedures to an interested listener. "I get many of my ideas from the advertisements and catalogs of other stores," he said. "Manufacturers' and wholesalers' advertising matter and dealer aids are full of hints for retailers. I don't copy them, but I get ideas from their advertising and adapt them to my purposes. I know that mail-order advertising is of high sales-producing content since it is prepared by experts."

Every retail advertiser should have for constant reference a copy of the publication of the National Association of Better Business Bureaus called *A Guide to Retail Selling and Advertising*. It consolidates the various standards and recommendations adopted by leading retail advertisers to improve relations between retailers and the public. Government regulations as to claims that may or may not be made and as to use of terminology in advertising are included.

VOCABULARY

Study the following words. Try to make them a part of your vocabulary.

Headline—A word, phrase, or sentence, usually in large type, used to attract attention or create interest in the advertisement.

Layout—The arrangement, size, and spacing of the headlines, illustrations, and copy matter of an advertisement.

Point of sale—The place where the customer actually buys the goods.

Pretesting—Determining the effectiveness of an advertisement in advance of publication. A check list may be used for this purpose.

Signature plate—The identifying information of the store.

Typography—The type face or combination of type faces used in an advertisement.

QUESTIONS ON THE CHAPTER

1. What eight desirable things did the advertising of the huckster who sold oranges do?
2. What are eight different devices used to attract attention to printed advertisements?
3. *a.* What does attention become when it is held for any length of time?
b. In what kind of merchandise are people most interested?
c. What should an advertisement do if it is to arouse a customer's interest?
4. *a.* In what two ways does advertising create a desire for merchandise?
b. What are some of the buying motives that may be appealed to in advertising?
c. What is meant by the *you* attitude in advertising?
5. What are the two types of advertisements from the viewpoint of inducing action?
6. *a.* How should a layout in an advertisement be arranged?
b. Why should a store use one definite style of type?
7. What is one of the chief weaknesses of present-day retail advertising?
8. What eight records should be kept of each promotional advertisement?
9. What people may be called upon by a beginner in advertising to help him with his advertisements?
10. How did one retailer use the advertisements and catalogs of other stores in preparing his own advertising?

PROBLEMS FOR DISCUSSION

1. Why is it sometimes wise not to seek immediate action in advertising?
2. Many people say they do not believe in advertising. Why is this true? What can be done to make advertising more acceptable?
3. What are the qualifications of a good copywriter?
4. In preparing an advertisement for an oil burner, would you stress the factual appeal or the emotional appeal? Why?

THINGS TO BE DONE

1. Write headlines and copy (not less than 25 words) for each of the following articles:
 - a. toothbrush.
 - b. notebook.
 - c. sweater.
 - d. tennis racquet.
2. Collect fifteen advertisements, one to exemplify each of the following features:
 - a. Label headline.
 - b. Informative headline.
 - c. Reason-why copy.
 - d. Human-interest copy.
 - e. Rationalized copy.
 - f. Good illustrations.
 - g. Poor illustrations.
 - h. Good typography.
 - i. Poor typography.
 - j. Good layout.
 - k. Poor layout.
 - l. Institutional advertising.
 - m. Regular price line advertising.
 - n. Promotional advertising.
 - o. Clearance advertising.

WHAT WOULD YOU DO IN THIS CASE?

Your advertising manager informs you that you can get much help from advertising services. He mentions firms which make it a business to supply made up "cuts" and monthly collections of the best retail advertising printed. You are preparing an advertisement for a food store having meat, grocery, and produce departments. How would you obtain and make use of these services?

CHAPTER XXI

GOODS WELL DISPLAYED SELL THEMSELVES

A Successful Window

"You have a very attractive window display," said a salesman as he entered The College Haberdashery.

"I am glad you like it," replied the proprietor. "My four salesclerks will be pleased."

"Your four salesclerks? What do they have to do with it?"

"We have a novel arrangement here for window dressing. All four clerks work together. They deliberately take the point of view of customers and try to plan windows that will be more attractive than those of our competitors.

"Each window must have one big idea, and the salespeople make suggestions as to what this idea should be each time the window is to be changed. The window that attracted you is built around the suggestion of Jones over there, for a window to show what the well-dressed young man should wear at college proms and formal occasions."

Sources of Ideas for Windows. "Where do your clerks get their ideas?" asked the salesman.

"Oh, the boys read trade journals, magazines, and the literature from wholesalers and manufacturers. They observe other windows carefully and study newspaper pictures and advertising. When they get an idea for a window display, they jot it down and we talk it over. We plan how it will look by drawing rough sketches. If the idea is simple and seems appropriate, so that it tells its story at a glance, we make out a list of the merchandise and fixtures we will need to develop the idea.

"Sometimes we get an idea from community events. For instance, last July the outstanding men's club in town planned a picnic. We put out a window display that week which emphasized picnic clothing. Our display said to our customers, 'By all means go to the picnic. Have a good

time. Increase your fun by wearing our white slacks and sport coats and sweaters. Play tennis in our excellent tennis shoes and keep cool with our sleeveless white sport shirts. Impress the ladies by wearing our sport belts with the college insignia on the buckle.' ”

“Was the window display successful?”

“Yes, indeed! It made them stop, look, come in, and buy. We increased our sales, created a good impression in the community, and made many new customers. Since then we are always on the lookout for an idea that ties up with seasonal events or activities.”

This merchant's account of how he and his clerks devised outstanding windows emphasizes the fact that the first impression customers get of the character of a store and of the kind of goods it carries is obtained through the windows. This is so because people are visual-minded. We are all more interested in actually seeing things than in reading or hearing about them. Hence we have the saying, “Seeing is believing.” It is not to be wondered at, then, that windows are the most important medium for attracting new customers into neighborhood stores and that they run a close second to advertising for downtown shopping stores.

A recent survey in one city of about 100,000 population revealed that about 100,000 people passed the windows of the city's chief department store in one week. Although many people passed a number of times, the management was amazed to find that the windows displayed the store to such a vast audience.

Another survey of over 1,000 women showed that 60 per cent often buy on impulse; that is, they buy when they are not planning to, but are influenced by some current suggestion. And three fourths of the 600 reported that display was the motivating force. Windows are so important that even some small stores hire display specialists to dress their windows once a week. It is better, however, if some member of the store staff who has the ability and the interest will take over the display job along with his other duties, for then there is likely to be more co-ordination between window displays and personal selling efforts.



Good Housekeeping

PREPARING A WINDOW DISPLAY

The dress buyer has selected this dress for display and is watching the window dresser display the dress on the mannequin.

Principles of Window Display

If a window display is to be successful, it must follow certain well-defined principles.

(1) *The window must be trimmed from the customer's point of view.* It should have human interest, and it should dramatize the goods. The display will have human interest if it suggests the timeliness of the goods or the use to which they are to be put, rather than merely showing them. Thus an overcoat on a figure is generally better than one on a stand. The timeliness of an overcoat may be accentuated by means of a background suggesting a snowy day or a fall football game. The use of an article or the occasion on which it may be used may sometimes be brought out by a sign. A survey was made recently of traffic passing store

RULES FOR WINDOW DISPLAY

1. Decorate from the customer's viewpoint.
2. Have one central idea or theme.
3. Keep the window and merchandise clean.
4. Use background and lights to add to attractiveness.
5. Make clever use of line and design.
6. Make original and pleasing use of color and harmony.
7. Have window reflect the character of the store.
8. Display the merchandise as it can be used.
9. Change the display often.

windows trimmed in several different ways. The survey proved that goods set up on appropriate forms and displayed in a human-interest setting "stop" more people than do goods displayed alone.

In many cases the same people pass a store window every day. They get tired of looking at the same merchandise. They like to see something new and different; and so they look forward to new displays. The rapidity of change in display should vary with the location of the store. A neighborhood store may find it necessary to change its windows every other day if it wants to keep up the interest of its potential customers. Downtown stores, however, may change windows only once a week, since most customers will not go to the central shopping district more often than that.

In neighborhood stores in particular it is a good plan to tie up window displays with advertisements. People who have noticed an advertisement are more likely to act on it if they see the merchandise about which they have read featured in a store window. Downtown stores, on the other hand, may find it desirable to use their windows to attract people who have not seen their advertisements. The goods used for this purpose may be different from the goods advertised to attract newspaper readers.

WAYS OF DEVELOPING A CENTRAL THEME

Show a single article alone.

Prepare a mass display of a single article.

Show an assortment of styles in one class of goods so that the customer may make a selection.

Show an ensemble.

Show the production processes involved in making an article.

(2) *Windows must have one central theme or idea.* The average customer does not stop to study a window, but must grasp the idea as he is passing. The entire display, therefore, should be built around one central theme. Just enough merchandise should be displayed to bring out the proper effect.

Some stores display a great many different items of merchandise in their windows. As a result the windows look like stock rooms with plate glass in front of them. These stores believe that mass display, that is, the piling of great quantities of merchandise together, gives an impression of low price and brings immediate sales. If such windows are used, they may be improved by dividing them into sections and by grouping related merchandise around one theme.

A central theme for a drugstore window display might be the contents of a medicine chest, and the window might be trimmed to show the different items that should be purchased for the home medicine chest. In a haberdashery store, groups of related merchandise may be displayed. For example, one week the window might feature shirts and ties, while the next week the emphasis might be on pajamas, underwear, and socks.

(3) *Window must be clean.* The window should be carefully prepared for display by a thorough cleaning. All dust, dirt, and grime must be removed from the glass, floor, background, and fixtures. To prepare a display in a dirty window would be as bad as putting a new suit of clothes on a

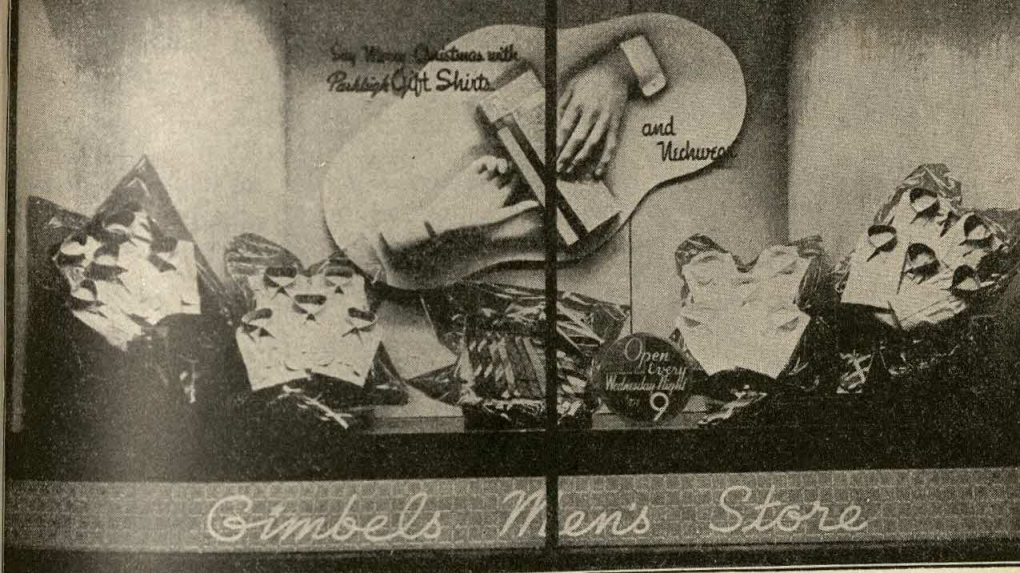
man with dirty hands and face. The merchandise, too, must be clean and neat.

(4) *Backgrounds and lights must add to the attractiveness of goods.* Backgrounds give atmosphere to the window and frequently mean the success or the failure of an entire display. Backgrounds may be of a neutral shade. They should set off the merchandise on display. In large stores the backgrounds are changed with the displays; but in small stores, where time and expense will not permit new backgrounds to be built for each display, permanent hardwood backgrounds frequently are used. Many small stores use crepe paper for backgrounds. Where such backgrounds are used, color schemes and clever designs may be planned.

Care must be taken, however, to see that the backgrounds do not detract from the merchandise. One merchant who used movable panels for his background put a hanging mirror in the center of each panel. When customers stopped to look at his window, their attention was immediately drawn to one of the mirrors. They adjusted their hats and ties, perhaps glanced at the display, and passed on. The background, in this case, received more attention than the merchandise.

Some shops have no backgrounds to their windows; in fact, the window is simply a means of allowing customers to look into the store. This is a type of window for a small specialty shop in which the interior of the store has considerable display value, even when seen from the street. Strangers often hesitate to enter an exclusive shop if they cannot easily see the interior from the street. If, however, they can see other customers inside the store, they are likely to enter also. Food stores also find that this type of window has great power of attraction, provided the interior of the store has a pleasing appearance.

Light is an attraction; it draws customers to windows and gives the impression of a bright and clean store; hence windows should be well lighted. Lights should not, however, shine into the eyes of the people outside, but should fall directly on the merchandise in such a manner as to leave no shadows. Concealed lights are excellent. Some mer-



FORMAL BALANCE

Notice how similar are the merchandise and the arrangement on each side of the center.

chants conceal the lights from the customers by a curtain that is drawn across the front upper part of the window. Small stores usually have painted strips at the tops of the windows to shade the lights. Some windows have Venetian blinds and metal reflectors that direct lights upon the merchandise.

(5) *Window arrangement should exemplify the rules of emphasis and balance.* Good display is largely a matter of arrangement. If an arrangement is to be pleasing, it should be planned around the principles of emphasis and balance.

The principle of emphasis is used if there is an important point in the window to which the eye is led, regardless of what part of the window first catches the observer's attention. Clever merchandise arrangement, together with lines and lighting effects, may direct the eye to the important point.

The principle of balance is used if there is an equality of weight on both the right and the left halves of the display. If the two halves are exactly alike, it is called *formal balance*. If the sides are different, but are nevertheless equal in weight because of variations in size, number, color, and shapes of the articles displayed, it is called *informal*

or *occult balance*. Informal balance is harder to achieve, but when it is well done it gives a more interesting window.

(6) *Colors should be used to attract attention and to create interest.* The study of color is important. The retailer may apply color to window display, to packaging, to selling and to interior display. In fact the principles of color should be mastered by all who wish to improve the character of their windows. The retailer should know which colors harmonize, which clash, and which are suited to various complexions; he should know the effect of colors on impressions of size; and he should know which colors soothe, which excite, and which can be seen at a distance. The following are a few fundamentals that every beginner should learn.

(a) There are two classes of colors: the chromatic colors and the achromatic colors. The *chromatic* colors are yellow, orange, red, purple, blue, green (shown on the color chart on page 431 at the points of the triangles), and the intermediate colors, called *hues* (shown on the color chart on the lines between the points of the triangles). For example, orange-red is a hue. The *achromatic* colors include black, white, and the intermediate series of grays.

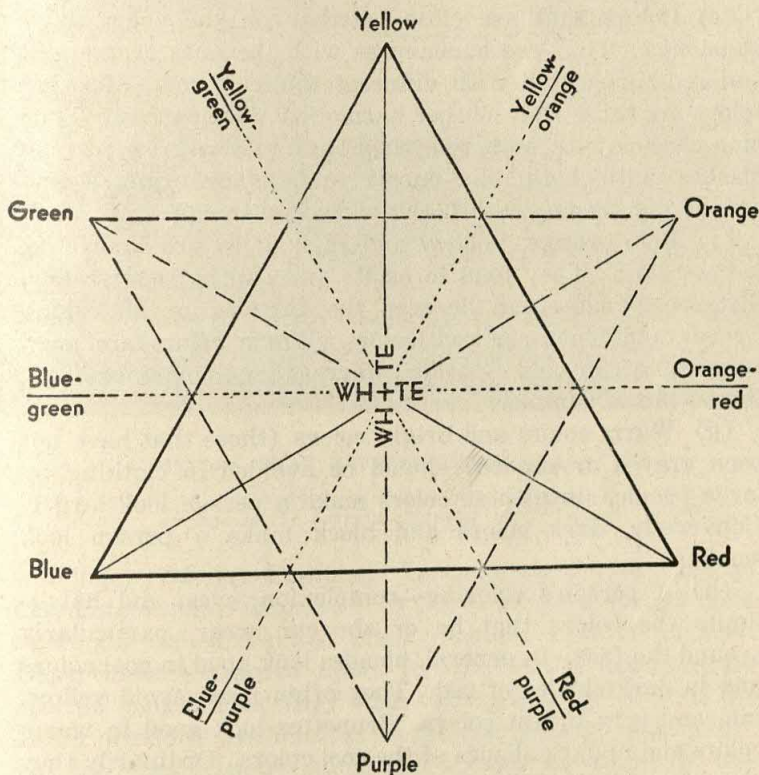
(b) The chromatic colors may be classified as primary, secondary, and tertiary.

Primary colors are yellow, red, and blue. They are shown on the color chart at the points of the solid black triangle. They cannot be produced by mixtures of other colors.

Secondary colors are orange, purple, and green. They are shown on the color chart at the points of the dotted-line triangle. These colors may be obtained by mixing the primary colors between which they fall on the chart. Thus yellow and red produce orange, yellow and blue produce green, and blue and red produce purple.

Tertiary colors are mixtures of secondary colors. Thus green mixed with purple gives olive, orange mixed with green gives citrine, and orange mixed with purple gives russet.

(c) A secondary color *complements* the remaining primary color, that is, the primary color that is directly oppo-



COLOR CHART

site it on the color chart. Thus orange complements blue, purple complements yellow, and green complements red. Complementary colors provide strong but pleasing contrasts and thus have great attention value. If two complementary colors are mixed, the result is a gray. Thus orange mixed with blue gives gray. By varying the proportions of the two complements, various combinations may be achieved.

(d) *Tone* may be given to a color by the addition of black or white. If black is added, the result is called a *shade*. Thus brown is a shade of red. If white is added, the result is called a *tint*. Pink is a tint of red. An arrangement of tones of a color from the lightest tint to the darkest shade is called a *color scale*.

(e) Colors that are close together on the color chart *harmonize*. Thus red harmonizes with the hues orange-red and red-purple and with different tones of red. *Clashing* colors are those that neither harmonize nor contrast. Thus blue clashes with both red-purple and yellow-green; green clashes with both blue-purple and yellow-orange; and orange-red clashes with both yellow and purple.

(f) Red, orange, yellow, and their hues are known as *warm* colors. They tend to excite and can be seen from a distance. Yellow can be seen the farthest of all colors. Greens and blues are *cool* colors. Warm colors are good for displays in cold weather, whereas cool colors are preferred in the summer.

(g) Warm colors and bright colors (those that have not been grayed or shaded) should be avoided in clothing by large people, since these colors make a person look larger. Conversely, dark colors and black make a person look smaller.

(h) A person's coloring—complexion, eyes, and hair—limits the colors that he or she can wear, particularly around the face. In general, blondes look good in cool colors and in dark shades of red. They often must avoid yellow, tan, and very bright colors. Brunettes look good in warm colors and in dark shades of the cool colors. Ordinarily they should avoid greenish-gray. Redheads should avoid red and some light browns, but they can generally wear darker shades of browns, greens, blues, and purples. Gray- and white-haired people look good in dark tones of cool colors, but they can also wear bright reds, greens, and purples in lustrous materials. They must generally avoid yellow, tan, and beige, which tend to make gray hair appear greenish or yellow.

(7) *The window should reflect the character of the store.* An artistic window carrying the newest fashions is not suitable for a bargain store. Nor is a window showing a mass display of merchandise suitable for an exclusive specialty shop. The customer who is misled by a window is not likely to purchase after he enters and discovers the real nature of the store.

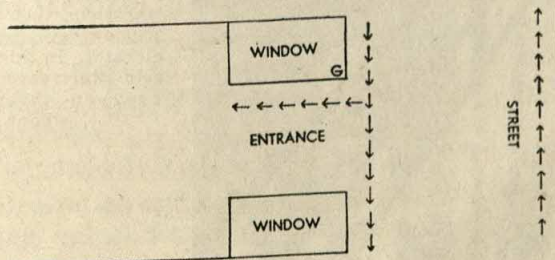


Liggett Drug Co.

A DISPLAY THAT REVEALS STORE CHARACTER

Even though no merchandise is displayed, the signs on the window emphasize the bargain character of the store.

Window Display Planning. In large stores the work of changing window displays is in the hands of a display manager. He schedules and plans displays well in advance. Department managers apply for the use of windows for specific merchandise they wish to promote. In general the better windows are allotted to fashion merchandise, which has the greater news value, and staples are placed in less valuable windows. The best or *golden* section of a store's windows is the point at which most customers pass at close range. In the chart below, this section is indicated by the letter G. Passers-by tend to keep toward the right and turn toward the right. Thus more people see goods at close range in the corner indicated than anywhere else along the two show windows.

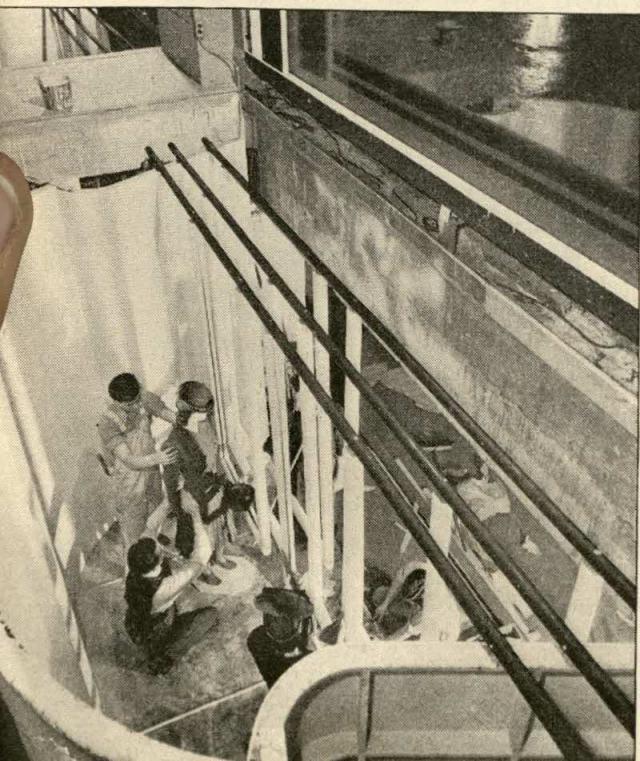


DON'TS FOR A WINDOW DISPLAY

1. Don't use the windows to dispose of slow-selling or clearance merchandise.
2. Don't put merchandise of which there is a shortage in the windows.
3. Don't put soft, pastel shades in the windows, because they fade easily.
4. Don't crowd the windows with merchandise.

The publicity director and the display manager decide what offerings have most merit. Other windows, of an institutional nature or designed to promote a number of departments together, may be initiated by the display manager himself, who requisitions merchandise from the various departments of the store.

Acme



BELOW THE SCENES

The entire window setting is built, painted, and assembled in a basement workshop, then raised to window level by its own elevator. In this view the rain-swept pavement may be seen through the window.

Tie-ups with National Advertisers. Stores both large and small often find it desirable to tie up their windows with national advertising. Newspapers may prevail upon retailers to display store signs that tie up with a manufacturer's local newspaper campaign, and large stores may present window displays of merchandise illustrated in the pages of national magazines.

Some manufacturers have created itinerant displays that are routed from store to store, appearing in each store for only a few days. These consist of show window settings, display booths, and special exhibits. They make it possible for stores to present more expensive and elaborate displays than they could afford themselves.

Stores should consider every opportunity for a tie-up with manufacturers, but they should be careful that they will gain as much from the display as the manufacturer will. Thus a drugstore should give careful thought as to whether it will receive worth-while results from filling up a window with a large cigarette window piece that crowds out everything else, especially when there is little profit on the sale of cigarettes.

Interior Display

Display of merchandise is not limited to window display. Almost equal in importance is the interior display. As the customer leaves the window and steps into the store, his gaze should fall upon an appealing store interior. The interior display should, of course, harmonize with what customers see in the windows, and the favorable impressions made by the windows and the entrance should be carried on inside the store. The general color scheme, the lighting, the floors, the walls, the ceiling, and the fixtures should combine to make an attractive setting in which to buy. Above all the store should give an impression of simplicity and cleanliness.

Interior display is affected by the following factors:

- (1) Decoration and appearance of the store—walls, ceiling, lights, floors, and fixtures.

- (2) Layout—placement of various departments or groups of merchandise.
- (3) Merchandise displays—counter, showcase, floor, and shelf displays.

Store decoration and layout generally involve some permanent planning and have accordingly been discussed already in connection with the store building. But special decorations are desirable at such seasons as Christmas and Easter. Trees, paper decorations, special lights, flowers, decorative posters, and flags are among the devices that may be used to give the entire store a gala effect.

Merchandise Display. A good rule to remember about merchandise displays is that they should not be high above the level of the eye. Many displays are placed so high or so low that they are never seen by the majority of customers. Modern research has found that goods lying flat on a table do not sell as well as those raised so as to catch the cus-

AN ARCHITECTURAL DISPLAY

This series of model rooms allows customers to visualize co-ordinated home furnishings in their own homes. Linens, draperies, floor coverings, lamps, and other accessories may be selected to harmonize with furniture.

Gimbel's, Pittsburgh



tomer's eye. A good way to accomplish this is to have steps or tiers on tables so that verticle as well as horizontal space is utilized.

Showcase displays are used when it is necessary to protect the merchandise. A desirable case stands on short legs. The bottom portion is of wood, not glass, since it is too near the floor for the eye to reach comfortably. This section opens at the back and is used as storage space. Above this are the customary glass front and sides, with an adjustable glass shelf. The inside of the case should be well lighted so as to show goods to advantage.

Cases and open display tables may be grouped so that *islands* are built throughout the store. The customer can walk around easily, see the merchandise, and make his selection.

Kinds of Merchandise Displays. Interior merchandise displays may be classified as follows:

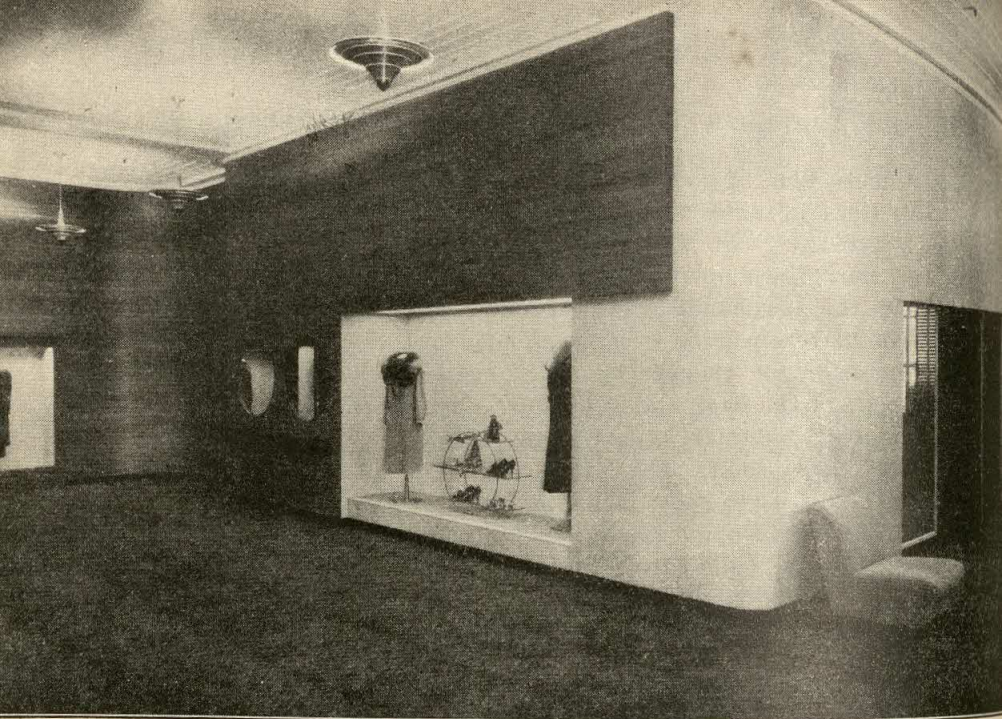
Open displays may present an entire assortment from which the customer can select what he wants, as is done in variety stores, or they may present certain items selected from stock to attract attention. Both types of displays allow customers to handle the goods, which increases their desire for possession.

Closed displays include glassed-in showcases, wall shelves, interior windows, and niches (often near elevators). They protect the goods from both physical damage and theft, and can easily be kept in order.

Architectural displays show goods in a decorative setting, such as a model bedroom, or a kitchen completely outfitted, or a seasonal shop. Thus some stores set up the following shops for sportswear:

Cruise Shop	Dec. 31—Feb. 28
Beach Shop	March 25—July 30
College Shop	Aug. 15—Sept. 15
Spectator Tweed Shop	Sept. 25—Nov. 1
Winter Sports Shop	Nov. 10—Dec. 30

A few of these shops, such as riding clothes shops, are permanent.



A PLATFORM DISPLAY

Halle's, Cleveland

These recessed platforms do not take aisle space and they allow excellent lighting.

Platform displays are placed in front of elevators or near entrances to a department store. Here mannequins may be used to show clothing in a dramatic way.

Ledge and wall displays utilize space that would otherwise be blank. Signs and pictures, as well as merchandise, may be used. Such displays, however, are generally too far from customers to present the merchandise effectively.

Displays Should Create a Desire for Merchandise. It costs the merchant money to get customers into his store; hence he should do everything possible to interest them in his merchandise once they are in the store. His best means of interesting customers is through the use of displays, provided they represent the customers' viewpoint.

Interior displays are built so that they tell important facts about the merchandise—its material, its uses, and its price. They should really act as silent salesmen. Frequently the customer should be able to serve himself from

these displays. F. W. Woolworth carried out this principle by showing everything he had for sale on the counters of his stores. Customers saw merchandise all about them and bought what they needed. Similar merchandise was grouped together; related merchandise was placed close by; and price cards gave essential information. People who came into the store to buy one article would often buy more; thus additional sales and profits were made.

One chain food store uses a display which combines the sales appeal of both personal and nonpersonal selling. A display of a manufacturer's item is set up attractively with an electric eye beam in front. As the customer approaches the display, he breaks the circuit and turns on a recorded sales talk about the displayed item. He listens, looks at the display as the features of the item are explained by the recorded voice, and finally takes a package from the display as the voice suggests. The sales talk is cleverly planned from the customer's viewpoint and contains all the elements discussed in Chapter XV under personal selling. The display combines the theory of color, balance, and self-service. Both the display and the record reach the customer through eye and ear appeal.

Chain stores have developed a remarkable technique of allotting display space to merchandise in proportion to its

AN OPEN MASS DISPLAY

The piled sacks of potatoes attract attention and the smiling cardboard farmer boy adds human interest.



FACTORS THAT DETERMINE THE WORTH OF AN INTERIOR DISPLAY

Number of people who see it.

Desirability of the merchandise.

Attention value and effectiveness of the display itself.

sales. Best-selling articles that yield a reasonable profit are given the preferred space and the most space on counters. Poor sellers are placed at one side and given less space. What really happens is that customers through their past selections determine where each article shall be displayed. An examination of successful interior displays shows that many of the principles discussed under "Principles of Window Display" are used in the creation of interior displays.

What Display and Layout Mean to a Customer

A store that makes a careful study of display is performing an extra service to the customer, for a good display will give a great deal of desired information to the customer. New uses for merchandise, as well as its proper care, may be shown through proper display. A carefully planned store layout and the proper placing of merchandise are appreciated by the customer, for they save him a great deal of time and energy. A display that plainly shows the price of merchandise is likewise a help to customers. To many customers, shopping is a task; men especially try to get through their shopping as quickly as possible. But if a store can be made friendly, inviting, and pleasant, customers will shop more readily.

VOCABULARY

Study the following words. Try to make them a part of your vocabulary.

Achromatic colors—Those colors which are not included in a color wheel, namely black, white, and the intermediate grays.

Central theme—The dominant idea around which a display is built.

Formal balance—A principle of balance in which the right and left halves of a display are identical in appearance and in weight.

Open display—A display of merchandise from which the customer can serve himself.

Tint—The lightening of a color by the addition of white.

Warm colors—Red, orange, and yellow with their tints and shades.

QUESTIONS ON THE CHAPTER

1. How did the salesclerks of The College Haberdashery secure their ideas for decorating windows?
2. What is meant by the statement that a window should have human interest and should dramatize goods?
3. Why should a window have one central theme or idea?
4. What are the five ways to develop a central theme for a window?
5. Why should the windows of a store be clean?
6. a. What is meant by a window background?
b. What is the purpose of a background with regard to merchandise?
c. How often are backgrounds changed in large stores?
d. What kind of backgrounds may be used in small stores?
e. How may a background detract from a merchandise display?
7. Why do some stores have no backgrounds to their windows?
8. a. Why should windows be well lighted?
b. Why are concealed lights especially good?
c. How may lights be concealed from customers?
9. a. When is the principle of emphasis used correctly?
b. What is meant by *formal balance*?
c. What is meant by *informal* or *occult balance*?
10. a. What colors are *chromatic* colors?
b. What colors are *achromatic* colors?
c. What are *primary* colors? Name them.
d. What are *secondary* colors? Name them.
e. What are *tertiary* colors? Name them.
11. a. When does a secondary color complement a primary color?
b. What is meant by a *tone*?
c. What is meant by a *shade*?
d. What is meant by a *tint*?
e. When do colors *harmonize*?
f. When do colors *clash*?

12.
 - a. What colors are known as *warm* colors?
 - b. What colors are known as *cool* colors?
 - c. Can the warm colors or the cool colors be seen the farther?
13.
 - a. What kind of colors should be avoided in clothing by large people? Why?
 - b. What kind of colors should be avoided in clothing by small people? Why?
14.
 - a. In what colors do blondes generally look good?
 - b. What colors should be avoided by blondes?
 - c. In what colors do brunettes look good?
 - d. What colors should brunettes avoid?
 - e. What colors should redheads avoid?
 - f. In what colors do gray- or white-haired people look good?
15.
 - a. Who schedules and plans displays in large stores?
 - b. To what kind of merchandise are the better windows allotted?
 - c. What is meant by the *golden* section of a store's windows?
16. How have some manufacturers made it possible for stores to present expensive displays that the stores could not afford themselves?
17. What three factors affect interior displays?
18.
 - a. What rule about merchandise display should always be remembered?
 - b. When are showcase displays used?
 - c. What may the bottom portion of a showcase be used for?
 - d. How are open displays or tables sometimes grouped?
19.
 - a. What do closed displays include?
 - b. What is meant by an *architectural display*?
 - c. Where are platform displays frequently placed?
 - d. Why do ledge and wall displays not present merchandise effectively?
20. What should interior displays tell about merchandise?

PROBLEMS FOR DISCUSSION

1. Should price tickets be placed in windows of:
 - a. Specialty stores? Why?
 - b. Neighborhood stores? Why?
 - c. Department stores? Why?
2. Under what conditions should windows be used to display:
 - a. Goods that are best sellers at the time?
 - b. Goods that represent new fashions that may become important?
 - c. Goods that the store is anxious to get rid of?

3. Suggest articles that may well be displayed by each of the five methods to develop a central theme given on page 427.
4. For what types of stores, if any, is it desirable to put a large variety of goods in the window at the same time, so that a customer may actually do his shopping in front of the window?
5. Under what conditions is a disarranged merchandise display more effective in selling goods than a neat one? Why?
6. Is it good business to put *leaders*—goods on which little or no profit is made—in the windows with the hope of also selling more profitable goods when the customer comes in? Why?
7. Is it good business to put the store's lowest-priced goods in the window and then to attempt to sell higher-priced goods?
8. If a customer asks to see an article in a window and it is the only one of its kind in the store, and if taking it out of the window means a considerable disarranging of the window display, what should the salesperson do?
9. Some merchants feel that because of the nature of their stores, attractive window displays are impossible or difficult. This is sometimes true of butcher shops. What might be done to make a butcher shop window attractive?
10. What is the effect on a high-class store, such as a jewelry store, shoe store, or women's dress shop, located next to unattractive windows such as are frequently found in tobacco stores, poolrooms, or barber shops?
11. Which of the kinds of interior merchandise displays is well suited to displaying ensembles? assortments? ideas such as quality of construction?

THINGS TO BE DONE

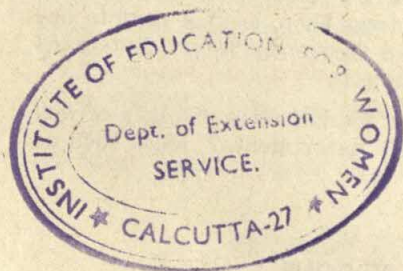
1. Make a list of five seasonal display ideas for each of the following:

<i>a.</i> Haberdashery stores.	<i>c.</i> Drugstores.
<i>b.</i> Grocery stores.	<i>d.</i> Variety stores.
2. Your instructor may appoint one or more committees to talk to one or more local merchants who have especially attractive windows. Each committee should report on how the merchant builds up his window displays.

3. Collect ten magazine or newspaper pictures and advertisements that may be useful in planning displays.
4. If you have a camera, take a picture of an unusually attractive store window.
5. Inspect an unusually attractive store window and report on the following facts:
 - a. Cleanliness.
 - b. Backgrounds.
 - c. Lights.
 - d. Merchandise arrangement.
 - e. Merchandise appearance.
 - f. Merchandise quantity.
 - g. Color scheme.
 - h. Central idea.
 - i. Possible pulling power.

WHAT WOULD YOU DO IN THIS CASE?

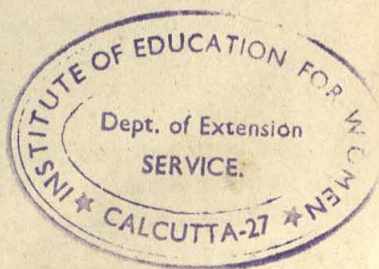
You are working with a salesperson who has charge of both window and interior displays of the store. You know from your study of color, line, and design that the displays are not attractive and pleasing. You feel that you could make up much better sales producing displays, yet hesitate to criticize the older salesperson's efforts. How would you go about putting your display ideas into active operation?



PART V

CONTROLLING BUYING AND SELLING

Part V deals with the recording and the control of both selling and buying to the end that these activities may yield a profit. Records involve the use of figures and are the basis for planning future operations. Specifically this section deals with the use of records to control stocks, the determination of retail prices that will cover expenses and losses and still yield a profit, the preparation of a profit and loss statement, and the budgeting of future operations. The section ends with a chapter on the control of retailing activities by government authorities.



CHAPTER XXII

KEEP RECORDS TO KEEP BUSINESS

George Owens operates a small hardware store. He sells mostly for cash, although he has a few regular customers to whom he extends credit for short periods of time. He works hard all week, buying, selling, arranging stock, and doing the many things necessary to run a one-man store. When the end of the week rolls around, George sits down to "check up" on his week's business and to see how much profit he has made.

THE FOUR MOST IMPORTANT RECORDS IN RETAILING

1. A record of sales
 - a. cash
 - b. charge (accounts receivable)
2. A record of purchases
 - a. merchandise
 - b. furniture and fixtures
3. A record of expenses
4. A record of cash

The first thing George wants to know is how much he sold during the week. What were his total sales? He cannot answer this question unless he keeps a record of what he sells each day. Here is how he keeps the record.

The Record of Sales

Cash Sales. When George makes a sale, he rings it up on the cash register. The register contains a small adding machine that adds each sale as it is made. If the numbers

on the machine are turned back to zero at the beginning of the day, the amount shown at the end of the day represents the amount taken in for cash sales. Therefore if the register adding machine reads \$60, George knows that he has sold \$60 worth of merchandise for cash that day.

Credit Sales. If a customer says "charge it," George makes out a sales slip for this credit sale. He does not ring it on the register because he does not receive cash for the sale. A total of the credit sales slips together with the cash register reading gives him the total sales for the day. If the register reading is \$60 and the total of the credit sales slips is \$25, he knows that the total sales for the day are \$85. If any merchandise is returned by customers, George subtracts its amount from the day's gross sales to get the net sales.

Not all stores follow George's plan. In some stores a sales slip is made out for every sale, even if it is a cash sale. In such cases, obtaining the total sales is a simple matter. At the end of the day, all the sales slips are added and the sum is the amount sold that day. Many restaurants use this method.

Total Sales. Daily net sales are totaled to get weekly sales, and weekly sales are totaled to get monthly sales; the monthly sales are then totaled to get the sales for the year.

The Record of Purchases

It is a simple matter for George to keep a record of purchases. He merely keeps the invoices he receives each week from vendors in an "unpaid invoice" file. A total of the invoices received each week is the cost of his purchases for that week. The total remaining in the unpaid invoice file is the amount due his creditors. When an invoice is paid, he removes it from the unpaid file and puts it into a "paid" invoice file. He keeps invoices for furniture and fixtures and for expenses separate from his merchandise purchases so as to prepare records of assets and expenses. Merchants that want a more complete record than George, enter the amounts of the invoices in what is

called a "purchase book" which is a record of all invoices received. From this book they transfer or "post" the information to a "vendor's ledger" or an "accounts payable" ledger. In this ledger, each creditor's account is kept on a separate page.

Since George wants to figure book inventories, to be discussed later in this chapter, he totals his invoices at both cost and retail prices. The cost prices are recorded by the sellers, and George marks his retail prices on each invoice opposite the cost prices. Thus, every week, he has a record of purchases at both cost and retail prices.

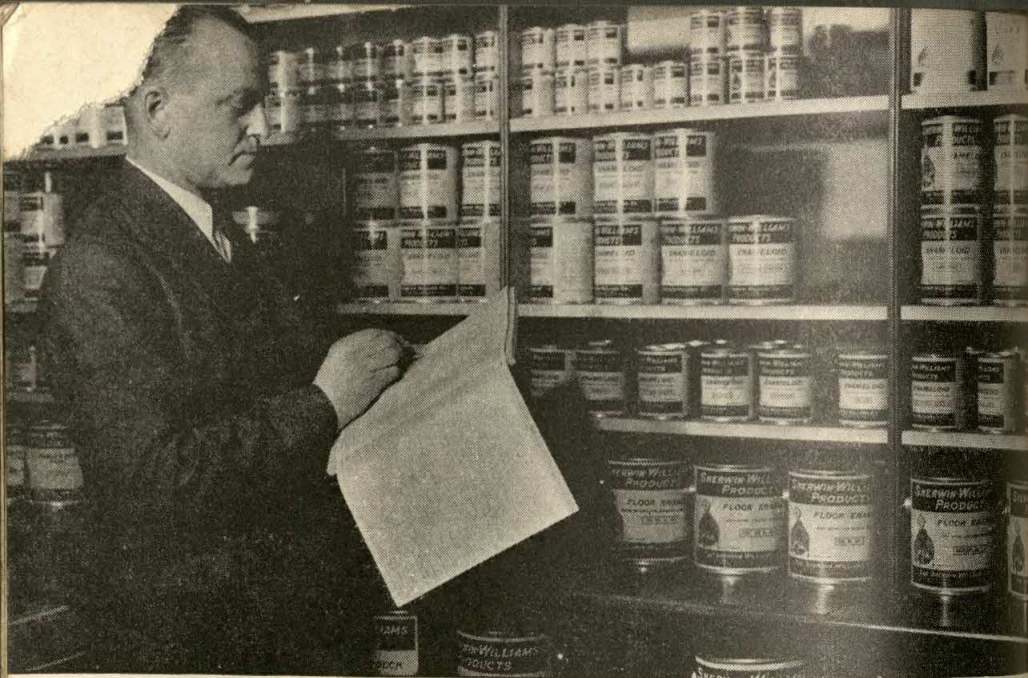
The Record of Stocks

George next gives attention to his stock record. How much did he have in stock at the beginning of the week? How much does he have at the end of the week? What is selling well? What items are selling slowly? Is he low on certain staples? George finds the answers to all these questions in his stock records.

Physical Inventory. In order to determine his profits, he must find the inventories at the beginning and at the end of a certain period. The inventory at the end of the year must be known before the financial standing of the business can be found. An inventory is obtained by means of an actual count of stock, known as a physical inventory. Some stores count their stocks at cost. Often they determine the cost from code numbers or letters on each price ticket. A growing number of merchants, George among them, take inventory at marked retail prices and obtain the cost from the retail prices, as is explained later in this chapter.

Most stores take two inventories a year, generally at the end of January and at the end of July. Some stores take only one—an annual inventory—and there are still a few small stores that take no complete inventory but merely guess at the value of the stock on hand. George obtains his weekly inventory figures by means of a perpetual inventory system, explained later.

Wide-awake merchants reduce the stocks on hand to the lowest point before taking inventory. This practice accounts



A PHYSICAL INVENTORY

A physical inventory is obtained by means of an actual count of stock.

for the many preinventory sales in stores today. Goods are pulled out of dark corners and bins, are reduced in price, and are sold before the inventory begins.

Procedure in Taking a Physical Inventory. After George has reduced his stock as much as possible through sales, he sorts it by type, being sure that everything is in its proper place. Missing price tickets and missing price labels on drawers of small hardware items are replaced.

One of two listing methods may be employed. Under one plan, tags numbered in sequence are attached to every different style, or lot number, of merchandise, and then the merchandise is counted. Under the second plan, more suitable for George's hardware items, sheets rather than tags are used and many lot numbers are listed on each sheet.



When all the stock has been listed and every tag or sheet has been accounted for, the calculation of the inventory begins. The sheets or tags are extended; that is, the quantity of each item is multiplied by the price. Then the sheets or tags are totaled. If there are a number of departments

in the store, each department total will give the amount of money invested in goods on hand in that department. When the department totals are added, the result gives the dollar value of merchandise in the store. The merchant can then decide whether he wants to invest in additional stock or to reduce his present stock.

Perpetual or Book Inventories

An Inventory of Money.

Everyone is familiar with a book inventory in terms of money. For example, a housewife may count the money in her pocketbook in the morning and find \$2. During the day her husband may give her \$5. She may pay out \$1.75 for groceries and \$2.25 for laundry. Without counting her money, the housewife figures mentally as follows:

<div style="display: flex; justify-content: space-around; align-items: center;"> <div style="text-align: center;">  <h1 style="margin: 0;">INVENTORY TAG</h1> </div> <div style="text-align: center;">  <h1 style="margin: 0;">No 35068</h1> </div> </div>			
Dept. No.	Location		
Counted and Listed by		Verified by	
Article or Description			
Season and Month		Lot No.	Mfr's No.
State Unit—Only, Dozens, Gross, Hundreds, Sets, Pieces, Yards, etc.			
Quantity Counted		Quantity Taken Away	
Total Count		Total Taken Away	
Total Net Quantity		SELLING PRICE	
		Dollars	Cents
Final Tag No.		EXTENSION	
		Dollars	Cents

INVENTORY TAG

I had this morning	.....	\$2.00
I added	.....	5.00
		<hr/>
Total money handled	.....	\$7.00
I paid out	.....	\$1.75
	<u>2.25</u>	<hr/>
		4.00
		<hr/>
I should have left	.....	\$3.00

By reasoning in this way, it is unnecessary for her to count her money every time she receives or pays out money,

and yet she knows at all times how much she has available for spending. At the end of the day she can actually count her money and compare it with her estimate. If she has had no other transactions and at the end of the day she finds only \$2 in her pocketbook, the difference between the amount she should have and what she actually has is a *shortage*. It may be a clerical error; that is, she may have forgotten an expenditure for a pair of hosiery at \$1 or she may have received only \$4 from her husband. On the other hand, the difference may be *physical*; she may have been shortchanged, or she may have lost a dollar.

Merchandise. George controls his stock the way we control our money. What he has to begin with he calls his *opening inventory*. What is added each week he calls his *purchases*. He obtains these at retail value by marking the retail price of each item on the invoice, as already explained. What is taken out he calls his *sales*. What should be left each week is his *closing book inventory*. What he actually has by count twice a year, is his *physical inventory*. The excess of the book inventory at the end of every half-year period over the physical inventory is his *merchandise shortage*. Thus, with all figures at retail:

Physical inventory, Feb. 1	\$ 7,000
Purchases, Feb. through July	10,500
<hr/>	
Total merchandise handled	\$17,500
Sales, Feb. through July	10,000
<hr/>	
Book inventory, July 31	\$ 7,500
Physical inventory, July 31	7,400
<hr/>	
Merchandise shortage	\$ 100

In practice, George subtracts any markdowns he may have taken from book inventory before comparing it with the physical inventory.

The book inventory, if computed at regular intervals, may be called a *perpetual inventory* because it can be determined at any time, such as once a week, without bothering to count the goods.

Advantages. An accurate record of stock on hand every week or month is one of the most important guides to successful merchandising. In order to have ample stock to meet customer demand and at the same time to keep the investment as low as possible, a frequent record of the stock on hand is needed. Since George finds it impossible or impractical to count his stock each day or week, a perpetual inventory system is set up to keep him informed through written records of the current condition of his stock. This record is a great aid also in case of fire loss. A store without it has no way of telling the value of the goods destroyed by fire. If the figure is a guess, the insurance company will naturally make a lower guess. When there is a perpetual inventory, the most important thing to save from fire is the stock ledger and the sales records, because the inventories they present are usually accepted by the insurance companies.

Shortage and Overage. When the physical inventory and the book inventory are compared, they should agree if both have been accurately calculated, with allowance for price

CHIEF REASONS FOR SHORTAGES

Clerical Reasons

- Failure to record all markdowns taken.
- Charging goods to the wrong departments.
- Errors in handling records of sales and customer returns.
- Failure to count part of the physical stock.

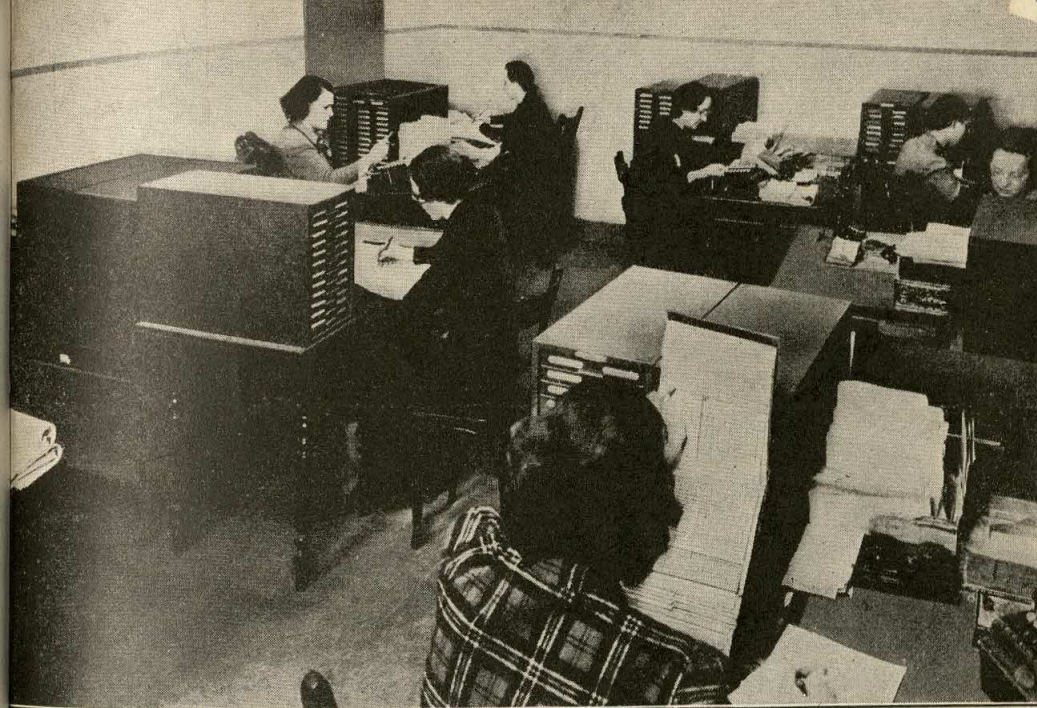
Physical Reasons

- Shoplifting—by outsiders.
- Pilfering—by employees.
- Breakage and damage.
- Overmeasuring—giving customers more goods than they are charged for.
- Undetected shortage in receipts from vendors.
- Physical shrinkage in weight or bulk of certain goods.

changes that may have taken place. If the physical inventory is smaller than the book inventory, there is a *shortage*, which indicates that there has been an actual loss of merchandise in the department. If the physical inventory is larger than the book inventory, there is an *overage*, which usually indicates an error in the physical count.

Inventory at Cost. In order to determine his profit, George has to find the value of his inventories at cost price even though he keeps his records at retail only. The closing inventory as shown on George's weekly statement represents what he paid for the goods now in his store, less perhaps a little for depreciation for shopworn goods. George could take his cost prices directly from the invoices his vendors sent him, or from cost prices entered in code on price tickets attached to the goods. This is the cost price method of taking inventory. If George were to use this method, his inventory at the end of a week might total \$5,000, but he might ask himself, "Is that what my stock is actually worth now? If I were to go out and buy the same amount of merchandise and of the same quality, would I have to pay \$5,000?" If he believes he can replace the entire stock for \$4,800, he will use that figure as his actual closing inventory, for the value of inventory is figured at cost or market value, whichever is lower.

Retail Method of Inventory. George marks his goods with the retail price only, and calculates his weekly book inventories at retail only. Twice a year he takes the entire inventory at the retail prices as shown on the price tickets. Every week in between, he calculates a book inventory by subtracting from the sum of the last physical retail inventory and subsequent retail purchases, the sales that have occurred. Every week, he also calculates the markup he has realized on his purchases to date. He finds that on an average he retails for \$1 goods that cost 70 cents, and he applies this ratio to his retail book inventory. This week his retail book inventory is \$7,000; so the cost inventory is 70% of this amount or \$4,900. Thus, he is able to obtain a cost value for his inventory even though he keeps his stock



A UNIT CONTROL BUREAU

Records of all items in stock are kept in this office. Every stock movement, such as a purchase or a sale, is entered on the appropriate card. Thus fast- and slow-selling styles can be spotted and a balanced stock can be maintained.

records at retail prices only. If the retail book inventory is adjusted for markdowns that have been taken, this method provides an approximation of "cost or market, whichever is lower."

Unit Stock Control Systems

Where a perpetual inventory is kept in terms of units of merchandise rather than of dollar value, there is a *unit control* system. A unit stock control system is any organized method of recording and determining the *sales* and the *stocks* in units for each item handled.

Years ago merchants kept no records of the number of pieces of each kind of goods in stock. They depended upon observation and memory, which were often faulty; as a result they lost many sales because they were out of certain goods. Even today many stores find that a system of unit control is costly, and they seem to prefer to lose some

make it necessary for the buyer to know his stock condition every day. For such merchandise, lists of what is sold are made at the end of each day. These lists may be prepared from copies of the sales checks or from stubs of price tickets that are torn or chopped off when a sale is made. In addition a card may be made out for each style, and the number of that style sold each day may be recorded on it. Entries are also made on the card of the number ordered and of the number received. Thus it is possible to keep a perpetual inventory for each style. For example, one card is made out for 12 dresses ordered in style No. 72 on June 6. On June 16, 10 of these dresses arrive and are recorded on the card as a receipt. The next day, June 17, 1 dress is sold and is entered on the card as a sale. The balance of 9 is then recorded in the "On Hand" column. If 3 are sold on June 19, the balance on hand would be reduced to 6, but the other 2 on order may arrive on the same date (June 19), giving an "on hand" of 8.

From time to time the "on hand" figures appearing on the cards are checked against the actual stock. If only 7 are found in stock when the perpetual inventory figure calls for 8, the one missing is a *shortage*. An effort is made to find it and the card is checked over to make sure that no error was made in the records. If the difference cannot be accounted for, the garment may have been stolen, and action must be taken to safeguard stock better in the future.

This perpetual type of unit control is more expensive than those based on periodic counts, for every sale has to be recorded. This form of control is desirable under the following conditions:

- (1) When shortages need to be watched carefully.
- (2) When styles change rapidly.
- (3) When it is very difficult to count stock frequently.

Item Control System. For items of high unit value, such as expensive ready-to-wear clothing, jewelry, furniture, or bulk goods controlled by the case, some stores make out a separate control card for each separate piece. Thus if twelve items of one style are received, twelve control cards are

made out. On each card the whole history of the piece is revealed: when it was received, the original retail price, any markdowns, and when it was sold. As the articles are sold, these cards are removed from a visible index file. Thus the file presents a picture of the stock at all times. At a glance it may be observed whether the stock in any classification, size, or color is getting low. Such a control is recommended where the physical stock cannot be readily inspected. It may be in the warehouse or it may be in one of the units of a chain.

Use of Systems. In order to justify the expense of any stock control system, it is necessary that the information derived from the cards be used in merchandising. Thus when slow sellers are discovered by a control system, some action should be instituted to dispose of the merchandise. Furthermore the information about the quantity, color, size, and price of the stock on hand should be used as the basis of budgets for buying; otherwise stock control systems should not be installed.

The Record of Expenses

Each week George inspects his record of expenses. His expense record is quite simple. He pays for most of his expenses by check; so he is able to get a total of his expenses for the week by going over his check stubs. Small expense items such as electric bulbs, pencils, and paste, are paid from petty cash. For this George draws a check for \$10 and keeps the cash in a box from which he pays out the small amounts. When the fund becomes exhausted, he writes out a new check to bring the fund back to \$10.

In larger stores the merchant keeps records of the expenses that have involved cash outlays, but these records do not give *all* the expenses. Some expenses do not involve any immediate cash payment. For example, a delivery truck for which \$1,000 was paid may wear out in five years. When first purchased, the amount paid is treated as an asset, not as an expense. Every year, however, the truck is worth \$200 less. This loss should be included in expenses under the heading *Depreciation*. Any interest due during the year

is an expense, even though it has not been paid. Again, a store may spend \$100 during a period for supplies, but at the end of the year \$25 worth of supplies may still be on hand. The expense figure for supplies is the *cost of supplies consumed*—\$75. The \$25 worth of supplies left would be an asset.

The merchant may include in his expenses a reasonable salary for himself. If he draws this out regularly, it will appear with other expenses in his cash payments record. If he does not draw it out, he may include the undrawn salary in expense and treat the amount as a store liability—an amount owed him by his store. Although such a salary deduction is not allowed for income tax purposes, it does help the merchant to determine whether he is earning from the business anything in addition to a reasonable salary. While George does not do this, he does recognize that he is not operating satisfactorily unless his profits exceed a reasonable salary for himself.

Expense Classification. The standard way to classify a retailer's expenses for annual or semi-annual analysis is to set up fourteen *natural* divisions as follows:

Payroll—salaries, wages, commissions, and bonuses.

Rentals—for all property used in the business.

Advertising—all payments for mediums used.

Taxes—all local, state, and federal taxes, except income taxes.

Unclassified—bad debts, cash shortages, etc.

Supplies—wrapping, delivery, and office.

Services Purchased—heat, light, and power.

Interest—on merchandise and on fixed assets.

Traveling—transportation and hotel bills.

Communication—postage, telephone, and telegrams.

Repairs—on building, equipment, and fixtures.

Insurance—fire, public liability, etc.

Depreciation—building, equipment, and fixtures.

Professional Services—legal, credit bureau, resident buying office, etc.

Such a classification is most helpful in planning and controlling expenses and in comparing them with the expenses of other stores.

Distribution of Expenses. George's store is not large enough to have distinct selling departments, but where such departments are set up, each must bear its share of the expenses. The merchant in this case looks at his expenses as direct or indirect.

Direct expenses are those that are paid out directly for the benefit of one department and are charged directly against that department's income. They include payroll of the salespeople and the managers of the various departments, advertising, and selling supplies.

Indirect expenses include outlays that serve the whole store. Examples are rent, heat and light, taxes, insurance, and payroll of nonselling departments. Thus if a department's sales are \$10,000, the cost of the goods it sells is \$7,000, and its direct expenses are \$2,000, the department is contributing \$1,000 to the store as a whole to help cover indirect expenses and to help yield a profit for the store. Some stores split up indirect expenses among the departments, but it is not necessary to do so.

The Record of Cash

The simplest way to handle a cash record is by means of the check book. Daily sales are deposited in the bank each day and the amount added to the balance shown in the check book. All payments are made by check. The check book balance, plus what is in the registers, will therefore be the total of "cash on hand" at any time. This is how George keeps his cash record.

Another way to keep a cash record is to use a "cash book." On the left side of this book, the merchant enters the amounts of all cash received. Cash from sales, from payment on account from customers, from rebates—in fact, any cash received by the business during the day, is entered on the left side. On the right side, a record is made of all cash paid out. When a check is drawn to pay an expense or to pay for merchandise, this amount is re-

corded on the right side. The difference between the two sides is the "cash on hand" which becomes the balance to which cash received is added the next day.

Now with these records before him, George proceeds to figure his profit for the week.

The Profit and Loss Statement

From his sales record, George finds that his sales for the week are \$400. Then he examines the book inventory record, which he has reduced from retail to cost, and finds that he had \$4,800 worth of merchandise at cost on hand when the week began. This he calls his opening inventory. To this figure he adds the amount of purchases at cost he made during the week (from the purchases record). The sum of these two figures represents the total merchandise handled. The purchases he had made that week amounted to \$380; so the total merchandise handled is \$5,180. Now, how much of that merchandise does he have at the end of the week? In order to answer that question, George calculates the book inventory at retail and reduces the figure to cost. As already explained, with a retail book inventory of \$7,000 and cost prices averaging 70% of retail, the cost of the inventory is \$4,900. Of course, at the end of the semi-yearly accounting periods, George takes physical inventories and uses them rather than the book inventories. Now George subtracts the closing cost inventory from the total merchandise handled and finds his cost of the goods sold.

Here is how he puts it down on paper:

Sales for the week		\$400
Opening inventory	\$4,800	
Purchases	380	
	<hr/>	
Total merchandise handled		\$5,180
Less closing inventory		4,900
		<hr/>
Cost of goods sold		280
		<hr/>
Gross margin		120

The difference between the sales and the cost of goods sold is called gross margin. George does not know yet how much profit he has made. He only knows that the goods he sold for \$400 cost him \$280. The \$120 difference is not profit. During the week he had expenses to meet. He had rent to pay, and light, heat, and telephone expenses. He paid a boy to deliver an order during the week, and he had other expenses in running his business. George's expense record shows they amounted to \$50. Now he subtracts these expenses from his gross margin and the resultant figure is his profit. It represents George's earnings for operating his own business and for assuming the risks involved.

George subtracts his expenses from his gross margin with this result:

Gross margin	\$120
Less expenses	50
	<hr/>
Net profit	\$ 70

An Annual Statement. Below is an example of a profit and loss statement made by a merchant who has a larger business than George has and who makes up the statement at the end of the year that allows for various adjustments such as returns from customers, returns to vendors, and transportation costs.

For comparison purposes, gross margin, expenses, and profits are expressed as percentages of net sales. Returns and allowances to customers are generally expressed in terms of gross sales, since they are not really a portion of the net sales.

Importance of Figuring Profits. An accurate calculation of profits is important in many ways. It allows the merchant to calculate how much income tax he must pay. It indicates whether he is making a success of his business or is heading it toward bankruptcy. It helps him decide how much money he can afford to draw out of the business without impairing it.

Perhaps the chief value of the profit and loss statement is in showing how profits may be increased in the future.

PROFIT AND LOSS STATEMENT

For Year Ended December 31, 19—

		Per Cent
Gross Sales	\$65,000	
Returns and Allowances to Customers	<u>5,000</u>	7.7 ^a
Net Sales		\$60,000 100.0
Opening Inventory, January 1	\$28,000	
Purchases	\$42,000	
Return to Vendors	—3,000	
Transportation Charges	<u>+1,000</u>	
Total Purchases	40,000	
Total Merchandise Handled	\$68,000	
Closing Inventory, December 31	<u>30,000</u>	
Cost of Merchandise Sold		<u>38,000</u> 63.3 ^b
Gross Margin		\$22,000 36.7 ^b
Expenses		<u>18,000</u> 30.0 ^b
Net Profit		<u>\$ 4,000</u> 6.7 ^b

^aPer cent of gross sales.

^bPer cent of net sales.

There are three basic ways of increasing profits:

- (1) To increase sales with only a proportionate increase in cost of merchandise sold and little or no increase in expenses.
- (2) To decrease cost of merchandise sold without decreasing sales—this is equivalent to realizing a larger gross margin or markup.
- (3) To reduce expenses.

Elements in Profit. The small retailer should look at the question of profit from an objective point of view. He should consider himself first as a manager of the store. For his management, he should draw a weekly wage. Then, if he owns the store, he should consider the amount of money he has invested in it. This money is used to buy

merchandise in suitable quantity and assortment to satisfy customer needs and to buy fixtures such as counters, registers, floor coverings, and window and interior display models. On the total amount of his investment the small retailer should draw a fair rate of interest, just as if he had to borrow the money from a bank and had to pay interest on it. This amount of money, called interest on the investment, is not the retailer's pure profit but is simply the amount due him for having lent his business the money needed to run it.

In addition to earning a salary for his managerial services and getting interest on his investment, the merchant is entitled to a reward for the risks he assumes in owning and organizing a business. He runs the risk of losing all or part of his investment. When he is fortunate and able enough to earn more than wages and interest, this excess reward is what the economist calls "pure" profit, or the return for risk assumed. This profit is not assured, for the merchant may earn less than wages and interest and thus suffer a loss. In the long run his pure profit does not average more than 2 per cent of his sales. For example:

Sales for a week in a small retail store	\$480.00	
Cost of the above goods sold	320.00	
Gross margin	<u>\$160.00</u>	
Operating expenses:		
Rent for week	\$24.00	
Light, heat, telephone	16.00	
Salary of helper	32.00	
Other expenses (delivery, wrapping supplies, breakage, shortage, ad- vertising, etc.)	<u>11.00</u>	
Total operating expenses	83.00	
Net profit	<u>\$ 77.00</u>	
Sources of the net profit:		
Salary of merchant	\$60.00	
Interest on investment of \$3,000 at 4% a year ($\$120 \div 52$)	2.31	
Pure profit	<u>14.69</u>	
Net profit	<u>\$ 77.00</u>	

GROSS MARGIN IN DIFFERENT LINES

	Per Cent of Sales
Department stores (\$1,000,000-\$2,000,000)	35.7
Drugstores, towns 5,000-25,000 population (\$20,000-\$30,000)	35.0
Florists	57.0
Supermarkets	17.0
Grocery stores (no meats) with credit	18.5
Combination (grocery and meats) with service (under \$100,000)	19.1
General stores	20.3
Furniture stores (under \$125,000)	37.5
Hardware, towns 1,000-3,500 population (\$40,000-\$60,000)	26.2
Jewelry	41.6
Men's apparel (under \$100,000)	36.0
Shoe stores	34.9
Specialty stores (\$300,000-\$500,000)	35.5
Stationery and office equipment	39.0

*From Expenses in Retail Businesses, National Cash
Register Co.*

This division of the retailer's rewards is necessary also in partnerships. For example, suppose Mr. Nolan and Mr. Thomas want to open a business together. Each is to invest \$2,000, making a total of \$4,000 invested. But Mr. Nolan has another position and cannot devote his time to the store as can Mr. Thomas. What would be the just rewards for these two partners? Mr. Thomas, who runs the store, may still get his \$60 as a salary. Each of the partners may get one half of the interest on the investment and one half of the remaining profits, since each invested an equal amount and each was taking an equal risk. There is a similar separation of wages, interest, and profits in the case of a corporation.

BALANCE SHEET

December 31, 19--

<u>Assets</u>		<u>Liabilities</u>	
Cash	\$1,000	Notes Payable (short-term)	\$ 300
Government Securities	500	Accounts Payable	1,200
Accounts Receivable	1,200	Accrued Expenses	400
Merchandise Inventory	3,000	Current Liabilities	<u>\$1,900</u>
Current Assets	\$5,700	Mortgage	1,000
Supply Inventory	\$ 300	Total Liabilities	<u>\$2,900</u>
Prepaid Insurance	100	Proprietorship	
Deferred Charges	400	Original Capital	\$5,000
Furniture and Fixtures ^a		Accumulated Profits	1,100
(less Depreciation)	\$2,000	Net Worth	<u>\$6,100</u>
Delivery Equipment (less Depreciation)	900	Total Liabilities and Pro-	
Fixed Assets	2,900	prietorship	<u>\$9,000</u>
Total Assets	<u>\$9,000</u>		

^aBuilding rented; if owned, value would be included with fixed assets.

BALANCE SHEET OR STATEMENT OF FINANCIAL STANDING

In some cases the interest on the investment is paid to someone other than the one who claims the profit. For example, the merchant whose profit is discussed on page 464 may have borrowed the \$3,000 invested. The lender may have assumed little risk, knowing the merchant had other property and would surely repay him. In this case the \$2.31 interest goes to the lender, but the merchant earns the \$14.69 pure profit.

The Balance Sheet

At the time that a profit and loss statement is prepared, it is the usual practice to draw up a balance sheet as well. This is a statement (1) of the value of the things and the rights that a merchant owns; (2) of the amount he owes; and (3) of the merchant's interest in the business. This third element is the difference between things owned and things owed. It is called his *equity*. On the ordinary balance sheet it appears under the caption "Proprietorship." For a corporation it appears under the caption "Capital."

Assets. The assets of a store at the end of the year are determined as follows: *Cash* includes the cash in the bank and the cash in the store, which may be in a petty cash fund. *Government Securities* include any government securities owned by the store that can be turned into cash in a short time. *Accounts Receivable*—the amount due from customers—is determined from the records. *Merchandise Inventory* is determined by the actual count already referred to. The sum of these items—cash, securities held in place of cash, accounts receivable, and merchandise—is called *Current Assets* because these assets are, or will soon provide, the funds with which to meet obligations.

Deferred Charges represent assets, such as supplies, that will be consumed in the operations of the business. For example, the store may have bought \$300 worth of supplies that are on hand now and therefore represent assets, but that will be used up and will become expenses next year. Likewise insurance may be paid for several years ahead and it represents an asset until it is consumed.

Fixed Assets are chiefly land, buildings, furniture, and fixtures. The original value of these properties is determined from a record of the original amount paid for them, and depreciation is figured on them every year in accordance with the number of years it is estimated they will last. They are included as assets at the present-day estimated value, with the depreciation being treated as an expense, as has already been explained.

Liabilities. After the assets have all been determined, the merchant lists his liabilities. The chief ones generally are short-term *Notes Payable*, which have to be repaid within a year, and *Accounts Payable*, obtained from a record of merchandise purchases still unpaid. *Accrued Expenses* are expenses incurred but not yet paid, such as salaries that have been earned by salespeople but not yet paid by the store. These items comprise the *Current Liabilities*. To these are added *Fixed Liabilities*, such as a mortgage or a long-term note on which money was borrowed.

Proprietorship. The difference between the total assets and the total liabilities is the amount of the merchant's interest in the business. The increase in this *Net Worth*, as it is called, from year to year should equal the yearly profits less withdrawals from the business.

Importance of the Balance Sheet. The balance sheet supplements the profit and loss statement in that it shows the value of the business at a specific time rather than its income and outgo over a period of time. It is generally required by a bank from which the merchant desires to borrow money because it shows even better than the profit and loss statement whether a store will be able to repay borrowed money when it is due.

VOCABULARY

Study the following words. Try to make them a part of your vocabulary.

Accounts payable—The amount owing to creditors.

Balance sheet—A statement of the assets, liabilities, and the net worth of a business.

Gross margin—The difference between net sales and the cost of goods sold.

Net profit—The difference between gross margin and expenses.

Physical inventory—An actual count of the goods on hand.

Record—A written account of a transaction.

QUESTIONS ON THE CHAPTER

1. What are three reasons why merchandise should be carefully watched and checked?
2. Name the records kept in a small business.
3. What are the two kinds of sales records usually found in a business?
4. What is a simple method of keeping a record of purchases?
5. What questions will a good stock record answer?
6.
 - a. How many inventories a year are taken by most stores?
 - b. When are the inventories taken?
 - c. What do wide-awake merchants try to do regarding stocks on hand before taking inventory?
7. Explain the method of taking physical inventory.
8. Give the chief reasons for shortages.
9. When should a unit stock control system be used?
10. How does an item control system work?
11. Name the fourteen natural divisions of a retailers expenses.
12. Explain the use of the check book for a cash record.
13. How is the cost of goods sold found?
14. What are the three basic ways of increasing profits?
15. Why is a bank interested in the balance sheet before granting a loan?

PROBLEMS FOR DISCUSSION

1. In what lines would you recommend keeping book inventories? Why?
2. What can salespeople do to reduce shortages?
3. Should a new buyer who takes over a department that has been poorly operated give his attention first to increasing sales or to decreasing stock? Assume that it is important to show a quick improvement in profit.
4. A small neighborhood store finds that even though sales are increasing, profits do not increase proportionately. Suggest some of the reasons for this abnormal situation.

5. It has often been said that a retailer is entitled to less profit than a manufacturer since he does not change the form of goods as does the latter. What is your opinion of this statement?

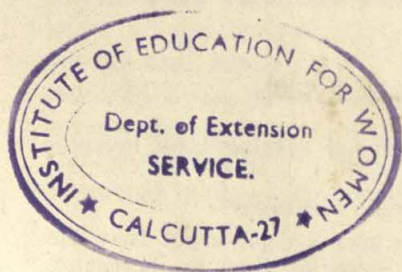
THINGS TO BE DONE

1. Write a paragraph of not less than fifty words on the importance of a profit and loss statement to a retailer.
2. Write a similar paragraph on the importance of the balance sheet.
3. Compute the net profit from the following information and express it as a percentage of net sales.

Sales	\$57,000
Opening Inventory	20,000
Closing Inventory	22,000
Purchases	40,000
Expenses	15,000

WHAT WOULD YOU DO IN THIS CASE?

You have just been employed to assist a merchant who is opening a shoe store. Since he knows you have been taking retailing training, he asks you to keep the store records until he engages a bookkeeper. What records would you keep?



CHAPTER XXIII

PRICING FOR PROFIT

Markups and Markdowns

A young man was considering going into business for himself. When he learned that the ties that a merchant sells for \$1 often cost about 60 cents, he thought that the merchant was making a profit of 40 cents on each tie. To invest 60 cents, and in a short time to get back \$1, sounded to him like a highly profitable business. He therefore thought that the men's furnishings business was one that he would like to enter.

But when this young man investigated further, he found that about 35 cents of the average 40-cent margin on each tie was required to pay the retailer's expenses—that is, his payroll, rent, advertising, taxes, and the like. Not even all of the 5 cents was profit. Some dollar ties were in colors and patterns that failed to prove popular and they had to be cleared out at 75 cents each. At this price they did not bring in their share of the expenses, so that some of the 5 cents of apparent profit on the ties sold for \$1 had to be used to pay the expenses of handling the marked-down ties. Actually only 2 cents of the markup usually was profit. The young man found, then, that profit and markup were entirely different things and that the profitableness of a business could not be judged entirely from the markup.

PROFIT 2%
ADVERTISING 3%
RENT 5%
MISCELLANEOUS EXPENSE 10%
SALARIES 20%
COST 60%

THE SALES DOLLAR

The customer's sales dollar is divided into cost of merchandise, expenses, and a narrow margin of profit. The ratios of cost, expenses, and profit differ among different businesses and even among different stores in the same line of business.

What Is Markup? The amount that a merchant adds to cost price in determining retail price is called *markup*. In the example on page 471 the 40 cents that the retailer added to the 60-cent cost price of each tie is the markup. Again, if an article costs \$3 and is sold for \$5, the markup is the difference between the cost and the retail price, or \$2. As just indicated, markup covers expenses, risk of loss, and a margin for profit.

THE MARKET EQUATION

$$\begin{array}{rcccl} \text{Cost} & + & \text{Markup} & = & \text{Retail} \\ C & + & M & = & R \end{array}$$

and

$$C = R - M$$

and

$$M = R - C$$

The Markup Per Cent. Most merchants think of markup in terms of per cent. Markup may be expressed either as a per cent of cost or as a per cent of retail. The markup of \$2 on an article costing \$3 and retailing at \$5 may be stated as $\frac{\$2}{\$3}$ (66⅔% of the cost), or as $\frac{\$2}{\$5}$ (40% of the retail price). In order to compare expense figures, which are usually expressed as a per cent of sales, most stores today express a markup as a per cent of retail price. The fact that markup on retail price is less than markup on cost is also a factor in its favor from the retailer's point of view, since some people associate a high markup with a high profit. Actually, as we have seen, most of the markup reflects store expense. In this book markup per cents are always on the retail basis.

Markup per cent may be expressed as an equation as follows:

$$\text{Markup per cent} = \frac{\text{Markup}}{\text{Retail}} = \frac{M}{R}$$

Initial and Maintained Markups. A distinction should be made between initial markup (sometimes called *markon*) and maintained markup. If an article costs \$3 and is put into stock at \$5, the difference between the cost and the selling price (\$2) is the *initial* markup, and the initial markup per cent is $\frac{\$2}{\$5}$, or 40%. Suppose the article fails to sell at this price and is finally sold at \$3.95. The difference between the cost and the final sales price is 95 cents—the *maintained* markup. The maintained markup per cent is $\frac{\$.95}{\$3.95}$, or 24%. The \$5 price may be called the *original retail selling price*; the \$3.95 price, the *sales price*.

Markdowns. It is frequently necessary to reduce retail prices to sell goods. This is particularly true of fashion goods. Any reduction in price from the original retail price is called a *markdown*. In the above example it is the difference between \$5 and \$3.95, or \$1.05. Expressed as an equation, $\text{Markdown} = \text{Original Retail Selling Price} - \text{Sales Price}$. The markdown (\$1.05 in the example) may be expressed as a per cent of sales as follows:

$$\frac{\$1.05}{\$3.95} = 26.6\%, \text{ the markdown per cent}$$

CAUSES OF MARKDOWNS

Buying errors—wrong styles, sizes, colors, patterns, prices, quantities.

Selling errors—careless and high-pressure salesmanship; neglect of old stock.

Pricing errors—marking goods too high at first.

Policy reasons—maintaining assortments until late in the season; deliberately taking a high markup soon followed by a large markdown to cater to bargain seekers; meeting competition; stocking expensive goods for display and prestige purposes; leftovers from special-purchase sales; temporary markdowns on regular stock to stimulate business.

It should be noted that the *maintained markup* of 24% cannot be added to the markdown of 26.6% to give the initial markup of 40%. This is because the maintained markup and the markdown are per cents of *sales*, whereas the initial markup is a per cent of the original, or highest, retail selling price.

Applying the Markup Per Cent

Finding the Cost. It is often necessary to find the cost price when the retail price and markup are known. For instance, a buyer may know that he wants to sell a pair of shoes for \$10. He knows, too, that he must have a 40 per cent markup in order to meet expenses and have a reasonable profit. What then is the most he should pay for the shoes?

To obtain cost figures from retail figures, it must be remembered that the retail price is the base upon which all other figures are reckoned and therefore represents 100 per cent. The cost, accordingly, will be the retail price with a certain per cent (markup) of the retail price subtracted. For example, if goods are to be sold for \$10 and the markup is 40 per cent, the cost must be \$10 minus \$4 (40% of \$10), or \$6. In terms of a formula it would be:

$$\text{Retail} - (\text{Markup \%} \times \text{Retail}) = \text{Cost}$$

This may also be written as follows:

$$\text{Retail} \times (100\% - \text{Markup \%}) = \text{Cost}$$

In the example above, then, the cost = \$10 \times (100% - 40%) = \$10 \times 60% = \$6.

Finding the Retail. It is equally necessary to be able to find the retail price when cost and markup are known. We have seen that the retail price is represented by 100 per cent, and therefore the cost is represented by the retail with the markup subtracted from it. If the markup is 40 per cent and the cost price is \$1.50, for instance, we know that \$1.50 is 60 per cent of the retail price. The retail price may therefore be found as follows:

60% of the retail price = \$1.50

1% of the retail price = $\$1.50 \div .60 = \$.025$

100% of the retail price = $\$.025 \times 100 = \2.50

In other words, the retail price (\$2.50) is found by dividing the cost (\$1.50) by the percentage represented by the cost (60%). This method can be expressed by the equation:

$$\frac{\text{Cost}}{100\% - \text{Markup } \%} = \text{Retail}$$

Finding the Per Cent of Markup. When the cost and the retail are known, the markup in dollars can easily be found by subtraction. Since this markup is a per cent of the retail price, we may find this per cent by dividing the markup in dollars by the retail. Expressed as an equation, it is:

$$\frac{\text{Markup}}{\text{Retail}} = \text{Markup } \%$$

SALES PRICE

The selling price of an article must be large enough to pay for the goods sold, to pay its share of the operating expenses, and to provide a margin of profit for the store owner.

National Cash Register



Pricing Individual Articles

Supply and Demand. The discussion of markup shows how a merchant can compute the retail price necessary to cover his cost and to realize a desired markup, but it does not indicate whether it would be wise to price individual articles at this point. Although merchants attempt to average a planned markup on the total of their purchases, they deviate considerably in pricing individual goods.

Individual retail prices are the result of two sets of factors: supply and demand. The costs to the store and the markups required represent the supply, whereas what people are willing to pay represents the demand. A breakdown of these two factors appears in the following table.

FACTORS DETERMINING THE RETAIL PRICE OF AN ARTICLE

Cost Factors

Wholesale price.

Initial markup per cent required to cover expenses, reductions, and profit of department.

Extra risk of markdown loss—fashion goods need higher markup than staples.

Extra expenses of handling, storage, or delivery.

Demand Factors

Customary retail price and price lines.

Price at which competitor is selling.

Volume opportunities at various possible prices in relation to dollar expenses at each price.

Leaders

Goods are sometimes priced, not at the most profitable point or at the average markup required, but below those prices in order to attract customers to the store. Whenever a store sells an article at a cut price, not to make a profit

on the *item* sold, but to attract customers who will buy other goods at regular markups, it is using the item as a *leader*. For example, an article costing 60 cents may be customarily retailed at \$1. A store may cut the price to 79 cents, not in the hope of making money from an increased number sold, but to attract to the store customers who will buy other goods. The leader is thus a kind of advertising device. To take in 21 cents less on each sale of the leader may actually be a less expensive way to get customers into the store than to advertise in the newspapers.

Loss Leader. When a store sells an article at even less than the actual cost, including direct handling expenses, the item becomes a *loss leader*. If the item mentioned in the preceding example were sold for 59 cents, the merchant would be losing at least 1 cent on every sale; in fact he would probably be losing more, since he might have to pay transportation charges and the cost of wrapping and delivering the article. He might also have to pay salespeople more because of the extra work in selling the goods.

Effect of Leaders. The leader policy has caused much criticism of retail stores. It tends to mislead customers in that it gives the impression that all of the store's prices are low. The leader is simply bait to get the customer to the store where he may be prevailed upon to buy other goods in addition to, or instead of, the leader. Some stores urge salespeople to hold back on leaders so as to keep unprofitable sales as low as possible.

The leader policy also works a hardship on competitors and on manufacturers. The cutting of a price may force competitors to meet the price change in order to maintain their reputations for reasonable prices and in order to get a share of the business. Leading national brands are often used as leaders because the usual price is so well known to the consumer that the cut price is attractive. Such leaders become "footballs" in the trade and unprofitable to all retailers. Manufacturers are injured because retailers attempt to switch customers away from the unprofitable leaders to profitable substitutes.

It is probably a fair conclusion that even though a leader policy may yield profits to the store, it is one that should be shunned as unsocial and injurious to others. Also it is a policy that is likely to prove less and less profitable over a period of time. Customers tend to buy the leader and nothing else. Leaders may attract customers to the store, but they do not necessarily lead to the purchase of goods on which the store makes a profit.

Many manufacturers have attempted to prevent their goods from being used as leaders. In some states there are laws allowing the manufacturer to set the resale price, and in some there are laws requiring that stores sell goods at a price that covers cost plus direct expenses.

Stock Turnover

A major factor in pricing goods is the rate of turnover for the goods. For instance, if a retailer buys \$100 worth of goods and prices it to sell for \$150, he will have a \$50 margin, or spread, when the goods are sold. At this price it may take a whole year for the goods to be sold. If, however, he prices the \$100 worth of goods at \$135 and is able to sell the goods in six months or two lots of goods during the year, he will have a \$70 spread for his \$100 invested.

The number of times his average stock is sold during the year is called the rate of turnover. Suppose a man keeps an inventory worth \$5,000 at retail price in his store. From that \$5,000 worth of stock he has sales for the year of \$30,000. His rate of stock turnover is 6. It is possible to get a sales total of \$30,000 with an average inventory of \$5,000 because as the goods are sold, the merchant orders more goods, so that his stock level is always kept at about \$5,000.

An example of simple stock turnover is found in a business which sells out entirely at the end of a day. A huckster may buy \$25 worth of goods in the morning and price the merchandise on his pushcart to have \$45 worth of sales from it. If he sells out at the end of the day, he would have sales amounting to \$45. His stock turn would then be 1 ($45 \div 45$). The number of stock turns he has during the

year would be his rate of turnover. This huckster figured his stock turn on a retail basis.

Computation of Turnover. Turnover is usually computed by one of the following equations:

$$(1) \text{ Stock turnover} = \frac{\text{Net sales}}{\text{Average stock at retail price}} \quad (\text{Retail basis})$$

$$(2) \text{ Stock turnover} = \frac{\text{Cost of merchandise sold}^1}{\text{Average cost of stock}} \quad (\text{Cost basis})$$

The retail basis for computing stock turnover is to be preferred when stores keep records of the retail value of their stock. When information about stock is available only in terms of cost, however, the cost basis of computing stock turnover is satisfactory.

Turnover may be computed for any convenient period, such as a year, a month, or a week. When the term *rate of turnover* is used, however, a year is understood. When turnover is computed for a shorter term, the yearly rate may be found by multiplying the turnover figure by the number of such periods in a year. Thus if the turnover for one month is $\frac{1}{2}$, the rate of turnover is $\frac{1}{2}$ times 12, or 6.

Finding Average Inventory. The chief problem in computing stock turnover is to determine the average stock carried during the period. Many retailers use the average of the actual stocks (as determined by the physical inventory) at the beginning and the end of the year. For example:

$$\begin{array}{r} \$21,000 \text{ stock at retail on January 1, 1950} \\ \$19,000 \text{ stock at retail on December 31, 1950} \\ 2) \$40,000 \\ \hline \$20,000 \text{ average stock} \end{array}$$

The objection to this practice is that the stock at the end of a season is not an accurate reflection of the average of the stock carried throughout the year. Stock at the end of the year is generally fully 15 per cent below the true yearly

¹ See page 463, Chapter XXII, for calculation of cost of merchandise sold.

average because merchandise has been largely disposed of through clearance sales. In the above example the average stock carried throughout the year was probably about \$23,500. The turnover obtained with an average retail stock of \$20,000 is accordingly too high.

A more accurate plan is to find the average stock figure by dividing the sum of the stocks on the first of every month, plus the ending stock, by 13. It is not necessary to take a physical inventory each month, however, because a monthly book inventory can be used. Here is an example of how average stock would be found:

Stock on hand at retail	Jan.	1,	\$ 21,000
	Feb.	1,	23,000
	Mar.	1,	26,000
	Apr.	1,	27,000
	May	1,	25,000
	June	1,	20,500
	July	1,	18,000
	Aug.	1,	21,000
	Sept.	1,	25,000
	Oct.	1,	26,000
	Nov.	1,	28,500
	Dec.	1,	25,500
	Dec.	31,	19,000
			<hr/>
		13)	\$305,500
			<hr/>
			\$ 23,500

ADVANTAGES OF INCREASING TURNOVER

- Decreases markdowns and depreciation.
- Increases sales because of steady inflow of new goods.
- Reduces interest expense on merchandise investment.
- Liberates capital for more productive use.
- Reduces insurance and taxes on merchandise.
- Reduces rent for storage space.
- Reduces selling effort and expenses since fresh goods sell with less effort.

Monthly Turnover. It is possible to figure average stocks and turnover for periods of less than a year. For example, the stock on hand on January 1 is \$21,000 and on February 1 is \$23,000. The average stock for the month of January, then, is $\frac{\$21,000 + \$23,000}{2}$, or \$22,000. If the sales for January are \$11,000, the turnover for the month is $\frac{\$11,000}{\$22,000}$, or $\frac{1}{2}$. On an annual basis, the rate of turnover is $\frac{1}{2} \times 12$, or 6.

Increasing Stock Turnover. The advantages listed on page 480 show the importance of a high stock turnover. An increase in turnover may be accomplished by any one of the methods listed below:

How to Increase Stock Turnover

- (1) Increase sales with no increase in stock.

Suppose, for example, that sales are \$100,000 a year, the average stock is \$25,000, and the stock turnover is 4. By increasing sales to \$125,000, the stock turnover would become 5, as follows:

$$\frac{\$125,000 \text{ (Sales)}}{\$ 25,000 \text{ (Stock)}} = 5 \text{ times}$$

- (2) Reduce stock without reducing sales.

Suppose the sales remain at \$100,000 but the stock is reduced to \$20,000; then we have the following:

$$\frac{\$100,000 \text{ (Sales)}}{\$ 20,000 \text{ (Stock)}} = 5 \text{ times}$$

- (3) Increase sales and decrease stock.

As an example of this third method, suppose the sales are increased to \$110,000 and the stock is reduced to \$22,000. Then we again find the stock turnover is 5 instead of 4 as follows:

$$\frac{\$110,000 \text{ (Sales)}}{\$ 22,000 \text{ (Stock)}} = 5 \text{ times}$$

The quickest of these methods to increase turnover is to reduce the stock. The stock may be reduced without affecting sales adversely (1) by reducing the number of price lines carried, (2) by reducing the number of brands and

duplicate styles, (3) by eliminating odd lots of unsalable goods, and (4) by buying in small quantities.

Many stores carry more price lines than are necessary to satisfy customer demand. They also frequently have in stock a number of different styles that resemble each other so closely that any one of them would satisfy the great majority of customers. Again, many merchants allow odds and ends of merchandise to accumulate.

In order to increase stock turnover and consequent profits, the merchant must buy in small quantities to be sold quickly. This means hand-to-mouth buying and frequent reorders of goods that are in demand. This plan keeps stocks low and makes it possible to adjust them quickly to changes in demand. The result is fewer markdowns, lower interest charges, and, frequently, increased sales.

There is danger of going to extremes, however. If stocks drop too low, sales will be lost and the expenses of handling frequent small shipments of incoming goods may offset the advantages. Furthermore, discounts on purchases may be lost if the store orders in small quantities that are uneconomical to the manufacturer.

Different Turnover Rates. Different lines of merchandise have different turnover rates. For instance, the rate of stock turnover for food stores is naturally greater than the rate for furniture stores, since food, such as meat, must be sold quickly or it will spoil and since food-store customers buy food every day and select from relatively few standard items. Shoe stores and furniture stores, however, have to maintain very large assortments, and customers buy infrequently. Merchants in the food lines know that they must buy in small quantities and sell quickly; consequently the average number of turnovers per year for grocery stores is 10 and for meat stores about 54. In shoe stores, however, the turnover is only 1.7 times a year; and in jewelry stores, less than 1. The merchant's constant effort is to keep a stock large enough to meet the demand, but small enough to reduce the risk of his goods going out of style or spoiling.

The turnover is also affected by the way in which the store is operated. For instance, supermarkets have an average turnover of about 17, whereas independent service groceries have a turnover of only 10. Emphasis on fast-selling items that will increase turnover has been the keynote of supermarket and chain-store success. Salesmanship, advertising, and display have all been centered upon a few fast-selling profitable lines. These stores keep accurate records of stock and buy in quantities to meet the sales demand. The reason for lower turnover in many independent stores is that they generally carry more complete lines and give more complete merchandise service.

The primary aim in planning turnover should be to secure the greatest profit from a given stock investment. Each merchant must study his business policies, his customers, his type of merchandise, the amount of each item carried in stock, and his method of operation in order to set for himself the correct rate of turnover.

Slow-Selling Merchandise

One of the chief problems in connection with turnover is to get rid of goods that remain on hand too long. The merchant should ask himself the following questions: What are my slow-selling goods? How can I get rid of them?

What Is Slow-Selling Merchandise? Slow-selling merchandise may be defined as merchandise that has been in stock a longer period than experience indicates is desirable. Department stores set the limit for much of their merchandise at six months, for it has been found that goods that fail to sell before that time are likely to fail to sell at all unless they are given special attention. The time limit for fashion merchandise is generally much shorter—in some cases only four weeks. Rugs, furniture, and some other house furnishings may be allowed a year because there will be little depreciation in that time. To force the sale of such merchandise in less time by means of markdowns would mean that it would have to be replaced in order to maintain assortments. This would lead to unnecessary loss.

SLOW SELLING STOCK		DEPT. NO. <u>495</u>		SEASON LETTER <u>P</u>		CLASSIFICATION <u>1b</u>						
LIST ONLY ONE SEASON LETTER AND ONE CLASSIFICATION ON A SHEET												
DESCRIPTION	SEMI-ANNUAL INVENTORY		MARCH SEPTEMBER		APRIL OCTOBER		MAY NOVEMBER		JUNE DECEMBER		JULY JANUARY	
	QUAN.	UNIT PRICE	QUAN.	UNIT PRICE	QUAN.	UNIT PRICE	QUAN.	UNIT PRICE	QUAN.	UNIT PRICE	QUAN.	UNIT PRICE
<i>Terry Shirts</i>	36	.59	36	.59	36	.59	36	.59	30	.59		
<i>Casque Shirts</i>	37	.39	12	.59								
<i>Sport Shirt</i>	22	1.19	19	1.19	17	1.19	6	1.19				
<i>Sport Shirt</i>	12	.89	12	.89	8	.89						
<i>Sport Shirt</i>	24	1.19	22	1.19	11	1.19						
<i>Sport Shirt</i>	137	.89	137	.89	122	.89						
<i>Sport Shirt</i>	16	.89	16	.89	6	.89						
<i>C. A. Shirts</i>	42	1.59	40	1.59	21	1.59	12	.99				
<i>Bole Shirts</i>	13	.59	2	.59								
<i>Do</i>	2	.49										
<i>Do</i>	10	.39										
<i>H. N. Shirts</i>	15	1.19	15	1.19	11	1.19						
<i>H. N. Shirts</i>	34	1.19	34	1.19	22	1.19	21	1.19				
<i>Long Sleeve Sport Shirt</i>	3	1.39	3	1.39	2	1.39	2	1.39	2	1.39		
<i>H. N. Shirt</i>	19	1.59	19	1.59	8	1.59						
<i>Sport Shirt</i>	61	.89	59	.89	42	.89						
<i>H. B. Shirt</i>	1	1.59	1	1.59								
<i>H. N. Shirt</i>	29	1.59	29	1.59	7	1.59						
TOTAL	P-	511.27		481.64		312.27		68.03				

A SLOW-SELLING STOCK REPORT

This report is filled out originally from the semiannual inventory sheets. Each month the items are checked. If they are not moving fast enough, markdowns are taken.

What to Do About Slow-Selling Merchandise. The usual way to dispose of slow-selling stock is to take drastic markdowns; but sometimes goods may be moved by promotional efforts, such as advertising and special bonuses to salespeople. Frequently all that is needed is for the buyer to talk up the slow-selling goods to salespeople; if they can be convinced that there is nothing wrong with the goods, they can generally sell them without a markdown. In fact, if slow-selling goods are still in fashion, it is sometimes wise to round out the size and color assortment by buying more.

Another method to dispose of slow-selling stock is to recondition it. For example, soiled or faded light-colored garments may sometimes be dyed black. Women's hats may be reblocked into new styles. Toy train sets from which individual cars or tracks have been sold may be reassembled into new set combinations. In fact, with imagination many ways may be found to avoid a large markdown by a small restoration or reconditioning job.

VOCABULARY

Study the following words. Try to make them a part of your vocabulary.

Average stock—The normal level of stock carried; for the year it is commonly determined by dividing the sum of monthly stocks by 13 (ending stock of December 31 included).

Initial markup—The amount added to the cost of merchandise to arrive at the original retail price.

Leader—An article unusually low in price used to attract customers to the store and to other goods.

Markdown—Any reduction in price from the original retail price.

Rate of stock turnover—The number of times an average stock is sold during the year.

QUESTIONS ON THE CHAPTER

1. What really goes into the apparent 40-cent profit on neckties that a merchant may buy for 60 cents and sell for \$1?
2. *a.* What is meant by *markup*?
b. In what terms do most merchants think of markup?
3. How do most stores express a markup—as a per cent of retail price or a per cent of cost?
4. What is meant by *markdown*?
5. What is the formula for determining the cost of an article when the retail price and the markup per cent are known?
6. What is the equation for finding the retail when the cost and the markup per cent are known?
7. What is the formula for finding the per cent of markup when the markup in dollars and the retail price are known?
8. What are the cost factors that enter into the retail price of an article?
9. What are the demand factors that enter into the retail price of an article?
10. What is meant by a loss leader?
11. How may the leader policy work a hardship on competitors and manufacturers?
12. What is the best plan to be used in finding the average stock figure for a year?
13. What are the seven advantages of increasing turnover?
14. What three methods may be used to increase stock turnover?
15. *a.* Why is the rate of turnover for food stores quite large?
b. What is the average turnover per year for grocery stores?
c. What is the average turnover per year for meat stores?

- d. Why is the rate of turnover for shoe stores and furniture stores comparatively small?
- e. What is the average turnover for shoe stores?
- 16. What is meant by *slow-selling merchandise*?
- 17. a. What time limit has been set by department stores during which they expect much of their merchandise to be sold?
- b. What time limit has been set for some fashion merchandise?
- c. What time limit has been set for some house furnishings?
- 18. What four methods may be used to dispose of slow-selling stock?

PROBLEMS FOR DISCUSSION

- 1. Is it a good policy to mark goods down to competitors' prices whenever the latter cut prices for sales?
- 2. Would it be wise for a store or department to adopt a policy of taking approximately the same markup per cent on everything? What would be the advantages and disadvantages of this practice?
- 3. Is high expense the cause of high markup?
- 4. How could the turnover of a vendor who sells 500 fresh pretzels a day be figured?
- 5. If a merchant cuts the price from \$1.00 to 79 cents on an article costing 60 cents, is he guilty of leader merchandising?

THINGS TO BE DONE

- 1. A knowledge of merchandise values is most important for anyone engaged in buying for retail stores. Buyers and merchandise managers find it necessary continually to appraise the materials, the workmanship, and the appearance of merchandise in terms of the price that customers will pay and of the price for which the goods can be produced.
To become an expert judge of values takes years of experience and one cannot start too early to acquire the art. The best way to begin is to practice estimating the normal retail prices of specific articles, and to compare your estimates with the actual prices charged by stores that have a competitive price policy. It is true that on many articles there is a considerable variation between stores in retail price quotations, often caused by differences in the stores' service policies and in the incomes of the customers to whom they are catering. Nevertheless the price quotations in competing popular-priced stores are very similar on identical and closely comparable articles.

Estimate the current retail and wholesale prices of merchandise frequently purchased. Twelve appropriate articles may be provided by the instructor for student inspection. Wholesale prices should be estimated from the retail prices by applying typical markup figures for the different lines included. If your library does not have a reference book on merchandising figures by lines, such as Dun & Bradstreet's *Standard Ratios for Retailing*, assume that the markup on clothing and home furnishing items is 40% of retail and on food items is 15%. For example, if the retail price of a man's shirt is estimated at \$2 and the usual markup is about 40% of retail, the estimated cost is \$1.20. The actual cost for many such shirts is \$14 a dozen, or \$1.17 each.

2. A young man had \$15 to spend for a small radio for his own use. He was of the opinion that model B39 of the X brand might be best suited to his needs. One of his friends had bought this model and liked its tone and selectivity, and it was recommended highly by a consumers' organization. He went to a leading department store to look at the model. The price quoted was \$19.95. When he hesitated, the salesman stated that this was the price set by the manufacturer but that if he had an old radio they could make him an allowance on it. Not having one, the young man decided to think it over.

Passing a neighborhood electrical store on the way home, he saw the same model in the window. He stepped inside to inquire. The proprietor told him that it was a \$19.95 model, but offered to sell it for \$17.50 on the grounds that his expenses were low and that he seldom had to deliver, whereas most customers in the downtown stores expected delivery service. The young man began to wonder if he would not find even lower price quotations if he shopped around further. He therefore visited three other radio stores, among them a store that did a large radio sales volume at cut rates. Here he was asked \$18 at first for the model. When he stated that he could get it cheaper, the salesman asked if he had a trade-in. When he said "No," the response was, "Oh, yes, you have; this is yours." The clerk showed him a dilapidated radio, explaining that the store would give it to him to apply on the new set. The clerk then offered to sell the new radio for \$15 and the old set. While this sounded like a bargain, the customer still hesitated and said he would think it over. Rather than allow him to leave and perhaps not to return, the salesman finally offered to sell the radio for \$14, confiding that the set cost \$12 and that the \$2 margin little more than covered direct handling costs. The

customer accepted this offer but, to avoid any changes of parts, insisted that he be given a model in a sealed carton. The carton was opened in his presence and the radio was tested. He then carried the radio home. In spite of his fears, the purchase proved entirely satisfactory.

With the above experience in mind, prepare written answers to the following generalized questions.

- a. Why do retail prices differ in different stores?
 - b. To what extent does a trade-in represent a markdown?
 - c. What advantages and disadvantages are there in shopping around before buying?
 - d. Should a customer choose a reliable store and make his selection there or shop around before he buys anything that runs into money?
3. Solve the following problems involving markups and markdowns:
- a. Cost, \$4; markup, \$2. Find (1) retail and (2) markup per cent.
 - b. Retail, \$17; markup, \$7. Find (1) cost and (2) markup per cent.
 - c. Cost, \$3.50; retail, \$5. Find (1) markup in dollars and (2) markup per cent.
 - d. Cost, \$6; original retail, \$10; sales price, \$8.50. Find (1) initial markup, (2) maintained markup, and (3) markdown per cent.
 - e. Cost, 36 cents; markup, 40 per cent. Find (1) retail and (2) markup in dollars.
4. A merchant estimates that if he retails a certain article at \$15 (a markup of 40%), he can sell 20 a week; that at \$17.50 he can sell 14 a week; that at \$20 he can sell 10 a week; that at \$14 he can sell 25; and that at \$12 he can sell 30. At what price will he make the largest aggregate dollar markup? Are his expenses likely to be enough higher at this point to make another price really more profitable?

WHAT WOULD YOU DO IN THIS CASE?

You are a salesperson in a store in which the policy is to first put goods into stock at a very high price and then to mark them down in order to make the lower price seem a bargain in comparison with the first price. For example, a chair costing \$6 may be retailed at \$15 and may shortly thereafter be marked down to \$10 and advertised as " $\frac{1}{3}$ off regular price." How would you point out a better policy to your employer? What would you say to customers who asked why the chair was reduced?

CHAPTER XXIV

PLAN AHEAD TO STAY AHEAD

Importance of Planning

A dry goods merchant who had been in business for some years found that he was not making as much money as he could earn if he took a job as a manager of a chain-store unit. His sales had shown an increase, but he made no profit. Not only was his capital tied up in a heavy stock, but he was delinquent in paying his creditors, who were pressing him to pay. At the end of each season he had accumulated a great deal of unseasonable goods. Much merchandise had to be marked down to less than cost before it could be sold, and there was always a large carry-over of inactive stock that he hoped customers would buy sometime. Each year his markup became smaller. The mark-downs that he was occasionally forced to take in order to make room for new goods, along with the low prices he asked in order to attract trade, kept him from making an adequate margin above the cost of his goods.

He believed he was economical, but as a matter of fact his expenses were high. He made many payments for advertising, extra sales help, supplies, magazine subscriptions, insurance, and other items that seemed desirable at the moment, but the total of which amounted to a surprisingly large sum.

He thought he was making a worth-while effort to get sales; he advertised whenever he had an unusual value, and he urged his salespeople to attempt to sell customers that came into the store. Notwithstanding all this, his sales increased much more slowly than was true of similar stores in the town.

Finally his chief wholesale resource, to whom he owed \$5,000 (some of it for merchandise bought six months before), insisted that its merchandise expert make a survey of his methods. This man soon discovered the merchant's

great weakness—*lack of planning*. He had no definite plans for increasing sales, no definite plans for keeping down expenses, and no method of determining whether his daily activities were leading to profits.

The Merchandise Activity Must Be Planned. The expert told the merchant that a profitable, growing store seldom comes from hard work alone. The various factors that enter into a profit and loss statement, such as sales, purchases, markups, and expenses, must be planned at least six months in advance, and every buying and selling activity must be scheduled to make sure that it will further the plan. Salespeople seldom do their best unless they have definite goals to reach. Advertising is wasteful unless there is a carefully thought out promotional campaign to build customer goodwill and repeat trade. Markup cannot be increased simply by wishful thinking. A definite markup goal, high enough to cover normal markdown losses, should be set for each season. Every time an article is marked up to less than the goal in order to meet competition or to attract business, an attempt should be made to purchase another article that can be sold with more than the average markup.

Purchases Must Be Planned. Purchases are bound to be too high in relation to sales unless they are planned. Where there is no sales plan, it is not uncommon for a buyer to buy more than he sells. Stocks accumulate, and these tie up any profit that may be earned. Finally, stocks depreciate and have to be sacrificed at a fraction of their original price in order to get money to meet bills and to avoid further depreciation.

Expenses Must Be Planned. Expenses, too, will surely be too high unless expense budgets based on planned sales are made. Many expenditures that seem desirable at the moment would never be made if the merchant could see that he would exceed his expense budget if he made such expenditures.

The Four Phases of Planning. The wholesaler's expert drew up the following program for the dry goods merchant,

stating that if it were followed carefully he felt sure it would result in a healthy and profitable business.

- (1) Set a central policy for your store. Decide what class of customers you wish to attract and give yourself a personality by emphasizing one or two, but not all, of the following: fashion leadership, high quality, large assortments, low prices, personal service, convenience.
- (2) At the beginning of each six-month season, lay out a detailed program of methods to make your policy effective.
- (3) Formulate your program in terms of dollars and cents by setting figure goals for sales, stocks, purchases, markdowns, markups, and expenses.
- (4) At regular intervals compare the actual sales obtained, the purchases made, the markups realized, the amount of stock carried, and the expenses incurred with the budget set in Step 3.

The first of these four phases of planning has already been discussed in connection with setting up a store.

Preparing a Program for a Season

Once a store has adopted a policy for itself, it is in a position to plan its activities in terms of sales efforts, stocks to carry, markups to obtain, and expenses to incur. The policy indicates the class of customers to which the store will appeal and whether this class is to be attracted by frequent special sales or by the general desirability of its regular assortment of merchandise. A decision on these points will make it possible to determine how many customers can be attracted and how much the store can realize on sales. The requirements of customers in regard to assortments, prices, and service are the basis for planning stocks, markups, and expenses.

Selling Plans. With customers in mind, sales and stocks have to be planned by merchandise classifications, price lines, sizes, materials, colors, sources of supply, and those styles in continual demand.

Since the total amount of business that can be done in any one of the subclasses indicated above differs with the promotional emphasis of the store, a calendar must be drawn up of the specific selling activities for the season.

A survey must be made of the advertising mediums that were used in the past, and a decision must be made as to the combination of mediums that should be used to reach the customer groups that the store desires. The amount of space that will be necessary to attract the attention of these groups must also be determined. Personal selling should be planned ahead. Provision should be made for the training of salespeople and for incentives that will induce salespeople to do their best work.

Markup Plans. Plans for markup involve a consideration of the following: (1) concentration of the buying of merchandise from a few key resources so as to obtain lower quantity prices; (2) the promotion of items on which a higher-than-average markup may be obtained; (3) the purchase of private or unbranded goods, instead of national brands that may have to be sold at short markups; and (4) the reduction of markdowns through more careful buying and prompt follow-up of slow-selling stock. These plans can be translated into terms of the average percentage of markup that can be realized.

Expense Plans. Plans for expenses involve a decision as to: (1) how many salespeople are required and the layout necessary to reflect the service policy of the store; (2) the advertising program necessary to reflect the promotional policy of the store; and (3) the other services and functions that are essential to the smooth operation of the business. With such plans made, the total necessary expense in dollars can be readily determined and can be related to the estimated sales and markup.

Setting Figure Goals

A store that has been in business for some years will use the records of its past sales, stocks, markups, and expenses as a guide in translating current plans into dollars and

cents. If previous policies and methods continue unchanged, the plans need deviate only in so far as outside conditions are changed; but if policies or methods of realizing results are to be radically altered, it will not be necessary to give a great deal of attention to past figures.

Well-organized stores frequently adopt a six-month merchandise and expense plan. In large department stores a separate merchandise plan is made for each department. An example of a six-month merchandise plan is shown on page 494. A step-by-step explanation of this plan is given on the following pages. The reader should refer to the illustration frequently so as to understand the relationship between the different factors to be discussed.

Profit Planning. In making the six-month merchandise plan, the record for the similar period last year is examined carefully. After taking into consideration the amount of money invested by the owner in the business, the profits of similar enterprises, the profits realized in the past, the policy of the store, and the trend of business conditions, it is decided that a reasonable profit for this department for the six-month period is about \$1,000. It is believed that, under present conditions and with a relatively slight increase in promotional activities, sales for the present period can be increased considerably. It is also believed that reductions and expenses will not increase as rapidly as the sales increase. In addition, the markup for the previous similar period seems too low and it is believed that a higher markup can reasonably be planned for the present six-month period. Under these circumstances a profit of about \$1,000 does not seem too high a goal.

With these factors in mind, reasonable figure goals are planned for sales, stocks, purchases, reductions, markups, and expenses so that the department will reach the goal and yield a profit of about \$1,000. In aiming at this profit goal, the following procedure is used in filling out the merchandise plan.

Sales Planning. The manager of the department plans total sales of \$57,000 for the six-month period. This total

SIX-MONTH MERCHANDISE PLAN								
Store or Department: <u>C</u>				Season's Profit Goal: \$1,000				
				Season's Reduction Goal: \$5,000				
	FEB.	MARCH	APRIL	MAY	JUNE	JULY	AUG.	TOTAL
Sales last year	\$ 6,700	\$10,100	\$11,700	\$ 9,500	\$ 8,900	\$ 6,500		\$53,400
Planned sales	7,700	10,100	13,000	10,500	9,500	6,700		57,500
Actual								
Retail stocks last year—first of month	12,000	17,000	20,000	16,000	13,000	11,000	\$ 9,000	14,000 (av.)
Planned stocks—first of month	13,000	16,500	18,000	15,500	14,000	12,000	10,000	14,150 (av.)
Actual								
Purchases last year	11,700	13,100	7,700	6,500	6,900	4,500		50,400
Planned purchases	11,200	11,600	10,500	9,000	7,500	4,700		54,500
Actual								
Selling salaries last year	430	520	580	580	430	360		2,900
Planned salaries	460	540	600	540	480	380		3,000
Actual								
Advertising last year	210	240	300	240	170	140		1,300
Planned advertising	250	270	330	270	210	170		1,500
Actual								
Other expenses last year								9,200
Planned other expenses								10,500
Actual								
Markup last year	33.0%	33.1%	33.2%	33.0%	33.1%	32.9%		
Planned markup	33.6%	33.6%	33.6%	33.6%	33.6%	33.6%		
Actual								

is based on past sales adjusted to the planned profit goal, to changes in policy, and to changes in the general business situation that may make customers more or less willing to buy. The six-month total is then broken down into monthly plans on the basis of past experience. Sales are planned first because they depend so much on outside conditions. It is easier to adjust stocks, markups, and expenses to sales pos-

sibilities, than to plan these factors and then try to reach a sales goal consistent with them.

Stock Planning. After sales are planned by months, the next step is to plan the amount of stock to have on hand at the first of each month. The model stock plan gives a guide as to the average stock to carry, and increases and decreases may be planned in line with anticipated monthly variations in sales. Attention is also given to turnover. In the example, a turnover of about 4 is aimed at for the six-month season. The average stock planned is \$14,150, which goes about 4 times into the planned sales. In dull months less stock is carried; in busy months more stock is carried. Stock plans may be made either at cost or at retail. When stores operate under the cost method of inventory, they generally plan stocks at cost; when they operate under the retail method, stocks are planned at retail value

Purchase Planning. Once sales and stocks have been planned, it is very easy to plan the amount to receive into stock each month. Suppose, for example, that a shoe merchant wants to keep his stock of shoes at 500 pairs in order to have an assortment of styles, sizes, and widths. If he expects to sell 200 pairs of shoes in one month, it is clear that this is the number he should receive into stock that month. So long as his stock stays the same, his purchases should just equal his planned sales. On the other hand, the merchant may have 500 pairs on hand on the first of the month and may want 600 pairs on hand at the end. If he is to sell 200 pairs, he must buy not only 200 but also the 100 additional necessary to increase his stock, a total of 300. Conversely, the merchant may want to reduce his stock from 500 at the first of the month to 450 at the end. If he is to sell 200, he must bring into stock 200 minus the desired decrease in stock of 50, or only 150 pairs. The same reasoning may be applied to sales and stock plans made in dollars rather than in terms of pairs or units.

Planned retail purchases equal planned sales plus the increase in retail stock desired during the period or minus the decrease in retail stock desired during the period.

Thus in the merchandise plan on page 494 the planned sales for February are \$7,700; the planned retail stock on February 1, \$13,000; and the planned retail stock on March 1, \$16,500. The planned increase in stock, then, is \$3,500, and therefore:

Planned retail purchases for February = \$7,700 (sales) + \$3,500 (increase in stock) = \$11,200.

Similarly, in June planned sales are \$9,500. The planned retail stock on June 1 is \$14,000 and on July 1 is \$12,000. The planned decrease, then, is \$2,000, and therefore:

Planned retail purchases for June = \$9,500 (sales) — \$2,000 (decrease in stock) = \$7,500.

The above purchase figures are in terms of retail value. They may be expressed at cost by applying the planned markup percentage. For example, with a markup of 33.6% planned, the cost of retail purchases of \$7,500 is 66.4 per cent of \$7,500, or \$4,980.¹

Reduction Planning. For purposes of planning an adequate markup percentage, stores estimate the amount of markdowns and shortages that are likely to occur during the six-month period. In this example, \$5,000 was set. Some stores distribute this figure to the months and use it in calculating planned purchases, but this has not been done in the example.

Expense Planning. In planning the expenses for the department for the six-month period, it is expected that total expenses will increase somewhat because of the anticipated increase in sales. Increases are therefore planned for selling salaries, for advertising, and for other expenses. The total planned expenses amount to \$15,000

Expense planning for a store as a whole is similar to that for a department. In the preparation of a complete expense budget a classified list of all the services for which expenses must be incurred may be drawn up and the minimum outlay necessary for the smooth operation of the

¹ Stores operating under the cost method of inventory plan stocks at cost rather than at retail and substitute planned *cost of sales* for planned sales. Planned cost purchases equal cost of sales plus the increase in cost stock desired during a period or minus the decrease in cost stock.

services may be planned. The following table shows a standard classification of expenses.¹

DEPARTMENT STORE EXPENSE CLASSIFICATION

This is a standard classification of expenses, with typical expenses for a department store with sales of \$1,000,000 for a six-month season.

Expense Classification ^a	Amount Incurred During 6 Months
Pay roll	\$168,000
Real estate costs	41,000
Advertising	34,500
Taxes	12,000
Interest	20,000
Supplies	18,000
Services purchased	11,500
Unclassified	10,000
Traveling	4,000
Communication	5,000
Repairs	4,000
Insurance	3,000
Depreciation	6,500
Professional services	5,500
Total expenses	<u>\$343,000</u>

^a Season allotments are next broken down into months.

In the case of the individual selling department it is not common to plan expenses in as great detail as indicated for the store as a whole. The selling payroll and the newspaper advertising are planned by departments for each season and for each month in the season. Other direct expenses of the department are also planned for the season but are not necessarily distributed by months. Likewise an estimate may be made of the portion of the general store expense,

¹ In larger stores expenses are often first classified by functions as follows: Administrative, Occupancy, Buying, Publicity, Selling. Each of these is then subdivided into as many as necessary of the natural classifications given in the table.

called *overhead*, that will probably be allotted to each department. These plans help the buyer to determine the initial markup he should aim to get.

Initial Markup Planning. Once the sales, reductions, expenses, and profit have been planned, the determination of the necessary initial markup is simply a mathematical calculation.

The initial markup is a percentage that may be found from the following formula:

$$\text{Initial Markup} = \frac{\begin{array}{c} \text{Difference Between Marked Sales} \\ \text{Marked Sales Price} \end{array}}{\text{Price and Cost}}$$

For example, if goods are marked to sell at \$10,000 and the difference between this amount and the cost is \$2,500, the initial markup is found as follows:

$$\text{Initial Markup} = \frac{\$ 2,500}{\$10,000} = 25\%$$

In the problem illustrated in the preceding pages, the numerator and the denominator in the formula may be found as follows:

Difference Between Marked Sales Price and Cost. The difference between the marked sales price and the cost must be sufficient to cover three items: first, the operating expenses, which in the example were \$15,000; the profit, \$1,000; and the amount that goods were marked down, \$5,000. The markdowns, or reductions, must be included because obviously the markups added to cost must be high enough to cover the price reductions that are expected to take place, as well as the expenses.

Marked Sales Price. The planned sales in the preceding illustration were \$57,500, but the goods were originally marked at a higher price since there were to be reductions of \$5,000. The marked sales price was therefore the sum of the actual sales, \$57,500, plus the reductions, \$5,000, or \$62,500. In equation form this problem may be stated as follows:

$$\text{Initial Markup} = \frac{\text{Expenses} + \text{Profit} + \text{Reductions}}{\text{Sales} + \text{Reductions}}$$

When this formula is applied to the problem, we have:

$$\begin{aligned} \text{Initial Markup} &= \frac{\$15,000 \text{ (expenses)} + \$1,000 \text{ (profit)} \\ &\quad + \$5,000 \text{ (reductions)}}{\$57,500 \text{ (actual sales)} + \$5,000 \text{ (reductions)}} \\ &= 33.6\% \end{aligned}$$

It does not follow that such a mathematically computed initial markup will become the final goal. The computed per cent may be considerably higher than the markup previously obtained; to try to achieve it may result in prices higher than those of competitors, which in turn may jeopardize the sales of \$57,500 or build ill will for the future. If, however, practical considerations lead to a decision to plan a markup of less than the computed amount, it will be done with the full understanding that the profit goal will probably not be realized.

Checking Operations Against the Budget

The setting of figure goals, as outlined in the preceding section, provides a chart for actual buying, selling, pricing, and spending. If the merchant buys as much as his planned purchases indicate, if he succeeds in selling as much as his planned sales call for, if he is able to obtain the average initial markup computed, if he takes no more than the markdowns allotted, and if he keeps his expenses within the limits set, he is assured of realizing the profit goal that he has set for himself. These five goals are achieved by frequently comparing actual with planned figures, and by taking action when the actual results fail to follow the plan. The control of purchases, however, requires detailed explanation.

Open-to-Buy Control

Actual purchases are kept in line with the budgeted purchases by a device called *open-to-buy control*. The open-to-buy is simply the difference between the planned purchases

for a period and the orders already placed for that period: Planned Purchases — Commitments = Open-to-Buy.

For example, as indicated in the merchandise plan on page 494, the planned purchases for the month of March are \$11,600 at retail. Since the markup is 33.6 per cent, this is equivalent to \$7,202 at cost ($\$11,600 \times 66.4$). On February 1 it may be desired to compute the open-to-buy for March. Orders for delivery in March totaling \$1,000 may already have been placed in January or even earlier. The open-to-buy for March, then, is \$7,202 minus \$1,000, or \$6,202.

On March 1 the open-to-buy for March may be recalculated. During February \$1,500 of additional orders for March delivery may have been placed. Outstanding orders now total \$2,500. This amount subtracted from the planned figure of \$7,202 gives an open-to-buy of \$4,702.¹ It is common to recalculate the open-to-buy every week during the month. For example, on March 15 outstanding orders for delivery during the balance of March may total \$1,800 and receipts at cost for March 1-15 may be \$2,200. The March *commitments*, then, on March 15 are the receipts to date plus the outstanding orders, or a total of \$4,000. Since the planned purchase price for the entire month is \$7,202, the open-to-buy is \$7,202 minus \$4,000, or \$3,702. This figure may be adjusted upwards if on March 15 it appears that total sales for March will exceed the \$10,100 planned. It will be adjusted downward if the total sales are now expected to be less than \$10,100.

It should be noted that the open-to-buy does not indicate the amount that can be brought into stock during a month, but rather the amount that may still be ordered for delivery during a period. Thus on March 1 the amount that may be brought into stock in March is \$7,202, but the open-to-buy is only \$4,702, since \$2,500 worth of goods for March delivery have already been ordered.

¹ If the actual stock on March 1 is more than the stock originally set for March 1, it may be necessary to reduce the planned purchases by the amount of excess stock. Likewise a smaller stock than planned may require an upward adjustment in the planned purchases figure. Changes in the original sales forecast for March may also modify the open-to-buy.

The goal is to use up, but not to exceed, the open-to-buy during the month; in fact, in many large stores buyers are prohibited from placing orders that exceed the open-to-buy until they obtain official permission to do so. The open-to-buy thus assures stores that purchases are brought in according to plan and in due relation to sales and to the needs of a balanced stock.

Classification Control

Where many kinds of merchandise are carried in a store or a department, it is desirable to make plans for each of these classifications rather than simply for the entire stock as a whole. To avoid the detail of making a complete six-month plan for each classification, a good practice is to plan the season's sales for each and the stock desired at

A CLASSIFICATION PLAN				
With this form it is possible to plan how much to buy each month in each subdivision of a department.				
Class	Planned Season Sales	Opening Stock	Planned Closing Stock	Planned Season Purchases
A	\$20,000	\$ 4,500	\$ 4,000	\$19,500
B	12,000	3,400	2,500	11,100
C	10,000	2,600	2,000	9,400
D	5,000	1,500	1,000	4,500
E	3,000	1,000	500	2,500
Total	\$50,000	\$13,000	\$10,000	\$47,000

February Purchases		March Purchases		April Purchases		May Purchases		June Purchases		July Purchases	
Planned	Actual	Planned	Actual	Planned	Actual	Planned	Actual	Planned	Actual	Planned	Actual
\$ 4,000		\$ 5,000		\$ 5,000		\$3,000		\$1,500		\$1,000	
4,000		3,000		3,000		1,000		100		—	
900		1,000		1,000		2,000		2,500		2,000	
2,100		1,000		500		500		400		—	
—		500		500		500		500		500	
\$11,000		\$10,500		\$10,000		\$7,000		\$5,000		\$3,500	

the beginning and the end of the season. Thus in a men's haberdashery, sales of shirts for six months may be estimated at \$4,000, with a stock of \$2,000 at the beginning and of \$1,800 at the end. The planned purchases, then, are \$3,800 at retail. If the markup is 40 per cent, this is \$2,280 at cost. The merchant doubtless knows in which months he sells most shirts and can roughly distribute the \$2,280 to each of the six months. As he orders each lot of shirts, he will check the amount of the order against the limit for that month, so as not to exceed it. This plan insures a proper balance in each classification of merchandise between sales and stocks.

Unit Control

The planning outlined in this chapter is all done in terms of dollar value. When records are kept in units of merchandise and plans are made that way, the activity is called unit control. Open-to-buy may be computed in units by planning unit sales for a period and unit stock at the beginning and the end. For example, a store may expect to sell 100 \$4 shirts during a month and to have an assortment of 150 on the first of the month and of 175 at the end of the month. It should, then, buy 125. If 50 of these are now on order, 75 more should be ordered. Details of systems to accumulate sales and stock information have already been presented.

VOCABULARY

Study the following words. Try to make them a part of your vocabulary.

Commitments—Merchandise ordered for delivery during a given period.

Concentration of buying—Using a few key resources for purchases.

Merchandise plan—A detailed chart showing planned sales, stocks, and purchases for a given period of time.

Open-to-buy—The amount a buyer may spend on purchases; it is determined by subtracting commitments from planned purchases.

Planned purchases—The amount of merchandise that may be received into stock during a given period in view of planned sales and desired inventory.

QUESTIONS ON THE CHAPTER

1. What is the story of the dry goods merchant who failed because of lack of planning?
2. How far in advance must plans for sales, purchases, mark-ups, and expenses be made?
3. If there is no sales plan, what does a buyer often do?
4. What are the four phases of planning?
5. What four things should be considered in planning markup?
6. What three things should be decided upon in planning expenses?
7.
 - a. What will a store use as a guide in translating current plans into dollars and cents?
 - b. How long a plan is frequently adopted by well-organized stores?
8. In making a six-month merchandise plan, what records should be examined?
9. Why are sales planned first?
10. What should be planned after sales are planned?
11. What is the formula for planning retail purchases for a period?
12. What is the next item to be planned after purchases?
13. How are reductions planned?
14. What expense items of a selling department should be planned for each month?
15. What is the formula for the required initial markup?
16. What is meant by the term *open-to-buy control*?
17. What is the formula for *open-to-buy*?
18. Why does not open-to-buy indicate the amount that can be brought into stock during the month?
19. Where many kinds of merchandise are carried in the store, should plans be made for each class of merchandise or for the entire stock as a whole? Explain.
20. What is meant by the term *unit control*?

PROBLEMS FOR DISCUSSION

1. Is it possible for a store to cater to all types of customers?
2. In the long run, is a store's sales volume more the result of outside business conditions or of inside management?

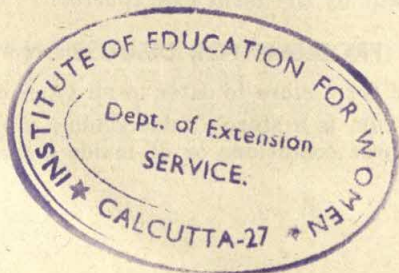
3. Under what conditions, if any, may it be wise to buy more than the open-to-buy figure indicates should be bought?
4. Is it ever wise to hold off the taking of markdowns until a clearance sale at the end of the season, or is it always better to mark down each item as soon as it fails to sell in a reasonable length of time?
5. Can a small store apply the merchandise planning procedure outlined in this chapter as successfully as a large one?

THINGS TO BE DONE

1. Assume you are a buyer either of men's clothing or of women's coats. Draw up a calendar showing the chief feature to stress to customers each month. Get assistance from actual newspaper advertisements during the past year or by interviewing some merchant or buyer.
2. Planned sales for June are \$12,000; planned stock on June 1, \$30,000; planned stock on July 1, \$25,000.
 - a. What are the planned purchases for June at retail?
 - b. If the markup is 30% of retail and \$3,000 worth of goods at cost have already been ordered for June delivery, what is the open-to-buy at cost?
3. Planned sales for September are \$5,000; actual retail stock on September 1, \$20,000; planned retail stock on October 1, \$24,000. Orders placed in July and August for delivery in September amount to \$1,500 at cost. Markup is 40% of retail.
 - a. Find the open-to-buy on September 1.
 - b. If additional orders of \$3,000 are placed between September 1 and 15, what is the open-to-buy on September 15?

WHAT WOULD YOU DO IN THIS CASE?

You are employed in a small neighborhood grocery store where there has been no merchandise planning. Your employer is discouraged because his stock is accumulating, expenses increasing, and profits dwindling. How would you introduce merchandise planning to him?



CHAPTER XXV

GOVERNMENT REGULATION OF RETAILING

Away from Laissez Faire

When John Wanamaker started his first store in Philadelphia, he made his own rules regarding employees; he carried whatever merchandise he desired; he priced goods at any figure he thought best; and he was free to advertise as he chose. Although he had to pay a few taxes and was subject to a law suit if he failed to keep his promises or if someone were injured on his premises, he was really very free from government regulation. The country was in what is known as a *laissez-faire* age, and business was interfered with as little as possible. It was argued, and most convincingly, that the interests of society are best served when business has freedom of action and an unrestricted opportunity to make profits.

Increased Government Regulation. During the twentieth century, and particularly since 1933, a change has taken place in the public attitude toward business. Now all stores are limited in the hours they may employ women and minors; they are required to pay insurance to cover accident, old-age, and unemployment benefits; they are limited in their right to sell some merchandise; they are limited somewhat in their right to obtain as low a price as possible from manufacturers and wholesalers; they are unable to say what they please in their advertisements, for there are many government-made rules covering statements about goods; and finally, they are required to pay more kinds of taxes than ever before, and their total tax bill has increased greatly.

There are still many people who believe that the former system of free enterprise would result in a larger flow of goods and services to consumers and in more employment for everyone; nevertheless the general trend of the past twenty to twenty-five years has been toward increased

GOVERNMENT REGULATIONS OF RETAILING

- Regulation of buildings for safety.
- Regulation of employee welfare.
- Regulation of wholesale prices.
- Regulation of retail prices.
- Regulation of retail credit.
- Regulation of merchandise that may be carried.
- Regulation of advertising and selling.
- Regulation by taxation.

regulation of business by municipal, state, and federal authorities.

Reasons for Increased Government Regulation. There have been many reasons for this trend. Among the most important are:

- (1) The need to protect citizens against the hazards that arise from building and equipment.
- (2) The need to protect the interests of employees.
- (3) The need to protect both customers and competitors against the unfair prices and practices of some businessmen.
- (4) The need to protect consumers against the sale of harmful goods or against misrepresentation in advertising and selling.
- (5) The need to tax business in order to help pay for increased government expenses.

Although these newer government regulations affect all business, some of them fall very heavily on retailing. The question may be raised as to why the needs listed above have been more noticeable during the last ten to twenty years than they were before. The answer may be found in the following statements:

- (1) Population is centralized in big cities. A century ago only about 10 per cent of the American people lived in

cities and urban districts, but today more than one fourth live in cities having a population of more than 100,000 and more than one half live in cities and their suburbs. Urban life is more dependent on joint action than is rural life. City water supply, sewage, and garbage disposal, protection against fire, street paving, recreational space, and in many communities the supply of electricity, require government action. Thus city dwellers get in a frame of mind in which it is easy and natural to turn to government—city, state, or national—when a need is felt.

(2) The proportion of employees in this country as compared with employers or with those in business for themselves is growing. Over three quarters of the persons who receive incomes in this country work for someone else. They do not have the opportunity to become their own masters that people had a century ago; hence they are more ready to turn to government to improve their lot.

(3) The right to vote is no longer limited, as it once was in some states, by property qualifications. All adults have an equal vote, but all do not pay equal taxes to support government activities. Consequently there is a tendency for many people to demand that government—city, state, and national—do certain things since the burden of the cost will fall on the other fellow.

(4) The knitting together of the country by improved methods of transportation and communication has made many problems, such as good roads, unemployment, and business practices, national rather than local in scope. A more centralized federal government that does many things that it did not formerly do is the natural result.

(5) Once government—city, state, or national—assumes a function, it tends to enlarge it, whether wisely or unwisely. Vested interests develop. Government departments think in terms of the interests of their employees and of their self-importance. Thus bureaucratic growth leads to further government activity.

(6) Finally the growth of large business has harmed many small businesses. It is agreed that small business is desirable for its own sake and that it affords an opportu-

nity for those with initiative and vision. Such opportunity is socially desirable even though the resultant small business is not as efficient as it might be. Law makers, influenced by the voting power of the small businessman, have felt an obligation to protect small businesses, and laws for the protection of small business have been the natural result.

Safety Regulations

Most municipalities have passed laws covering the retail store building. The chief aim of such laws is to prevent the hazards of fire and collapse that would injure both employees and customers. Permits are generally required before any building or altering may be done. Electricity may not be turned on in a building until the wiring has been inspected.

Elevators and escalators are inspected at regular intervals by authorized officials. The fire department inspects every part of the building to be sure that there is little danger of fire and that if fire does break out it will be properly controlled.

Finally the police department may inspect the outside of the building to be sure that overhanging signs and awnings do not protrude too far nor hang too low.

Labor Regulations

During the past decade there has been a great increase in government regulations of working conditions designed to protect the welfare of employees. The chief reasons for these regulations are:

- (1) A desire for more pleasant and more sanitary working conditions.
- (2) A desire for more leisure time.
- (3) A desire for regularity of employment regardless of recurring booms and depressions and seasonal changes.
- (4) A desire for a considerate attitude on the part of employers toward their employees.

The chief types of labor regulations are indicated below. Most of them are administered by the states, but old-age benefits are provided by the federal government under the Social Security Act. Every person going into business should understand his responsibilities in connection with each of the seven types of regulations listed below.

Hours of Work. In most states the maximum number of hours for women is forty-eight hours a week. Few states have maximums for men. Warehouse and central-office employees of chains engaged in interstate commerce are subject to the Fair Labor Standards Act (known as the Federal Wage and Hour Law), which calls for a forty-hour week with additional payment for overtime.

Employment of Minors. The minimum age is generally fourteen, with six to eight grades of schooling. In some states minors under a certain age, perhaps sixteen or eighteen years, must obtain working papers from their school authorities before they may legally be employed.

[illegible]

WORKING CERTIFICATE

Many states require that minors obtain certificates before being allowed to work. This certificate is for employment during vacations. It must be kept on file by the employer, accessible for inspection.

Wages. Only about a dozen states have set minimum wages for women and minors, and none have minimum wages for men. Some stores voluntarily apply the mini-

imum of 75 cents an hour set by the Federal Wage and Hour Law for those engaged in interstate commerce.

Physical Working Conditions. States commonly require that store premises be kept sanitary and well ventilated, that an adequate supply of pure drinking water be provided, and that seats and dressing rooms be provided.

Workmen's Compensation. Most states provide for the compensation of injured employees in cases of occupational accidents. The employee has the right to compensation even if the employer has not been negligent. The employer usually is required to take out sufficient insurance to cover his liability. The insurance company pays medical expenses and benefits to injured employees, defends the employer if suit is brought against him, and inspects the premises to reduce causes of accidents.

Unemployment Insurance. The Federal Social Security Act provides for federal grants to the states to aid in the administration of unemployment compensation systems. Under the spur of the federal law, all of the states have set up their own unemployment insurance plans, which have been accepted by the Federal Social Security Board.

LABOR—UI-1 DIVISION OF PLACEMENT AND UNEMPLOYMENT INSURANCE DEPARTMENT OF LABOR, STATE OF NEW YORK EMPLOYERS REPORT OF CONTRIBUTIONS					(Name and Address)
Enclosed is remittance for contributions covering period _____ (Dates of reporting period)					(Name)
as shown by summary of payrolls below, for pay periods ending within said reporting period.					(Street and Number)
Place of employment for employees reported on below _____ (City or locality)					(City and State)
Duration of pay period (check one square) <input type="checkbox"/> W <input type="checkbox"/> SM <input type="checkbox"/> M <input type="checkbox"/> Other _____					(Employer's Registration Number)
SUMMARY OF PAYROLLS—Insured Employees only					Please make checks payable to the New York State Unemployment Insurance Fund
(1) Date of end of pay period	(2) No. of insured employees on payroll	(3) Total hours worked by all insured employees	(4) Money wages	(5) Other remuneration	
TOTAL					
Contribution of 1% (1936) of total earnings — check enclosed \$ _____ 5% (1937) 3% (1938 and thereafter)					See reverse side for explanatory notes

UNEMPLOYMENT INSURANCE

Stores have to report to their state the number of their employees and the total wages paid as a basis for computing their unemployment insurance taxes.

Weekly benefits are to be paid to each eligible individual who is totally or partially unemployed. The employer of eight or more persons (except employers of exempted classes) is required to pay a state and a federal tax on his payrolls.

Old-Age Benefits. The old-age benefit system, which applies to retail employees, is administered by the federal government without state support. Both employer and employee pay a federal tax on wages. Workers who reach sixty-five years of age receive monthly payments ranging from \$20 to \$150, depending upon the amount of wages on which taxes have been paid, and the number of dependents the worker has.

Price Regulations

Reasons for Price Regulations. An important reason for government regulation of prices lies in the fact that prices charged for goods or services are frequently thought to be unfair either to competitors or to consumers. Competitors are injured: (1) when a seller charges prices at which he is really losing money; (2) when his low prices are made possible by his having received unfair advantages in purchasing from his suppliers; or (3) when his low prices are made available only to certain favored customers. Consumers are injured when sellers create monopolies, all agreeing to sell at prices so high that the least efficient of them still makes a profit.

To avoid uneconomic pricing policies, government regulations attempt (1) to promote competition by preventing monopoly and restraint of trade and (2) to prevent cut-throat competition by setting or giving legal sanction to minimum prices at which goods may be sold.

The chief price laws affecting retailers are:

- (1) Fair-trade laws (resale price maintenance).
- (2) Unfair-practice laws (minimum resale price).
- (3) Antidiscrimination laws, including the Robinson-Patman Act (limiting the right of a store to buy for less than a competitor pays).

Price Maintenance. The fair-trade laws are state laws authorizing manufacturers and other sellers of trade-marked or branded goods to make agreements with wholesalers and retailers as to the price at which the goods will be resold. Thus a manufacturer can set the minimum retail price that a retailer must charge. Almost all states have such laws. The federal government, by means of the Miller-Tydings Act, sanctions such contracts in interstate commerce as long as all the states involved have their own fair-trade laws.

The advantages and the disadvantages of price-maintenance contracts appear below:

Advantages

- (1) Unwarranted and unfair price-cutting is avoided.
- (2) Smaller retailers push the price-fixed merchandise, insuring wide distribution of the product.
- (3) An adequate markup is realized by the retailer since the price is not frequently cut.

Disadvantages

- (1) Stores operating economically or granting little service are unable to pass on to customers what has been saved in expenses.
- (2) Merchants are unable to adjust prices to the point at which they can make the most dollar profit in view of sales volume possibilities.
- (3) Price maintenance contracts are difficult to enforce.
- (4) There is a tendency to misuse the right to set prices by raising prices unjustifiably.
- (5) Large retailers tend to develop competing private brands rather than to promote the price-fixed merchandise.

Manufacturers of drugs, cosmetics, books, radios, and liquor have been the most active in drawing up contracts under the fair-trade laws. Often the manufacturer has acted upon the insistence of his retail distributors, who lose money when they are forced to sell a well-known article at a cut price. In other lines manufacturers have generally hesitated to fix prices for fear of losing volume to competing private brands or of setting prices that would curtail distribution in certain localities.

Minimum Resale Prices. The unfair-practice laws are found in only a few states. They prohibit dealers from selling below cost or below cost plus expenses of doing business. They are designed to avoid the use of loss leaders. The federal government, also, through the Federal Trade Commission, has drawn up codes of fair practice for many industries. One of the common rules prohibits sales below cost with the *intent* of injuring a competitor and when the effect may be to restrain trade unreasonably.

Antidiscrimination. The antidiscrimination laws attempt to keep sellers, particularly manufacturers, from giving some buyers an unfair price advantage. They do not require that all customers pay the same, but they do provide that any difference must be justified on a quantity or method-of-sale basis. This means that the manufacturer may pass on to his customer any saving in his manufacturing, selling, or delivery costs, but that he may not charge a smaller proportion of his overhead to the big buyer than he does to the small one. These laws give some protection to small retailers who may have been paying a great deal more than a favored competitor.

The Robinson-Patman Act is the federal law of this kind. Some states have similar laws of their own. The Robinson-Patman Act not only outlaws discriminatory prices but also prohibits certain practices that may indirectly constitute price discrimination. Thus the act provides that:

- (1) An employee of a buyer may not call himself a broker and thus receive from the manufacturer a brokerage fee not available to other buyers.
- (2) A manufacturer may not pay a store for special services, such as displaying or advertising, unless he makes payments to all buyers on proportionally equal terms.
- (3) A manufacturer may not provide the retailer with any special services, such as demonstrators or dealer helps, unless these services are made available to all buyers on proportionally equal terms.

Commercial bribery is an insidious form of price discrimination. The common law recognizes bribery as unfair by holding that a store is not bound to a contract if its buyer accepts a bribe for signing the contract. Many states also make it a misdemeanor for a seller to give or to offer a commission or a gift with the intent of influencing the action of any agent or employee of a buyer. Bribery may take the form of a cash payment, but it is often a gift and sometimes appears as a commission to a buyer for promoting the resale of the seller's product.

Regulation of Retail Credit

Normally, government does not attempt to regulate the granting of retail credit by the merchant to his customers. But during World War II and again in 1948, Congress did limit the retailer's freedom to extend credit in order to help curb inflation. It was thought that by preventing the public from buying too freely on installment, the demand for the restricted supply of goods could be reduced. Accordingly, a one third down payment was required on automobiles and a one fifth down payment on major durable household goods. Cars had to be completely paid for within 18 months and the other durables within 15 months. Articles costing under \$50 and transactions amounting to over \$2,000 were exempted. These limitations were removed in 1949, when there no longer appeared to be an immediate danger of inflation. However, after the outbreak of the Korean War credit regulations were again renewed as an anti-inflationary measure.

Regulation of Merchandise That May Be Sold

Retailers are not free to sell anything their customers are willing to buy. The public is at least partially protected from injurious and adulterated goods, for the federal government has passed a Pure Food, Drug, and Cosmetic Act that sets up minimum standards and that requires accurate and detailed labeling of the products named. Liquor is similarly regulated. Some states regulate the sale of bedding,

allowing the use of new materials only, and inspecting returned goods before they may be sold again. California has a law to prevent the sale of clothing materials that are a fire hazard; there is a similar federal law now being proposed.

Many states require special licenses if the retailer is to handle certain goods. For example, only registered pharmacists may put up prescriptions, and many common household drug products may be sold only in drugstores and not by general merchants. The sale of optical goods often requires a special license. Prison-made goods may not be sold by general merchants in some states. This is to protect manufacturers employing free labor from the low prices at which prison-made goods would be available.

Priorities and Freezing Orders.

During wartime the need to conserve essential materials for war needs may lead to many unusual restrictions on goods retailers may sell. Manufacturers of war materials are given first call on certain supplies—a plan that is known as a *priorities plan*. Many materials normally available for consumer goods thus become

very scarce or are not available at all. Some products, such as gasoline or sugar, may be sold, but only under a rationing plan whereby everyone is given a chance to buy a small amount instead of firstcomers buying the entire supply.

Some articles needed by the federal government may be ordered and held until requisitioned for government use. These orders are called *freezing orders*.

Space to Attach	
DO NOT REMOVE THIS TAG under penalty of law	
This article contains SECOND-HAND MATERIAL	
consisting of	
KAPOK	50%
COTTON LINTERS	50%
Registry No.	Permit No.
Space for New York State Inspection Stamp	This tag is attached as required by law as a certification that this article is as rep- resented
CONTENTS STERILIZED	
Sold by JOHN DOE and SON'S CO., INC. No. 567 Greene St. New York City	
or	
Name of Manufacturer	
Address	

A MATTRESS TAG

State laws require the disclosure of new and secondhand materials on tags like this.

MATERIALS AND MATERIAL CONTENT

Names used to describe the material content of merchandise should be accurate and complete descriptions of the product

Note: Rules for the description of materials and their definitions, when such materials are found in only one particular type of product, are outlined in Part II, e. g., *Jewelry, Furs, Furniture, etc.* The following are general rules for naming materials used in more than one type of product:

19 DESCRIBING MATERIAL CONTENT

If a fabric is composed of more than one material or fiber and the name of one is used, all the materials or fibers in the fabric should be mentioned, e. g., "wool and cotton underwear," "rayon and silk dresses," etc.

When the percentage composition of an article is not stated, but reference is made to the constituents, the different constituents should be listed in the order of their predominance by weight, with equal display to each. For example, "cotton and wool," if cotton is present in greater amount than wool.

In the case of **RAYON** it is mandatory under F.T.C. trade practice rules to disclose, in advertising and selling, the presence of rayon in an article. (See No. 61.) Similar rules, when established for other fibers, should be followed in applying any of the rules herein.

The material or fiber content of merchandise should be disclosed wherever disclosure is mandatory and wherever failure to make such disclosure might have the tendency or capacity to mislead or deceive the public.

The name of a material or fiber (e. g., wool, silk, alpaca, linen, etc.) should not be used as an adjective description of the appearance or style of a fabric not containing such material. For example, a rayon fabric should not be described as "Alpaca" nor as "Linen," nor as "Alpaca Weave," "Linen Weave," "Linen-Like," etc.

The words "Wool," "Cotton," "Silk," "Linen," "Rayon," etc., when used as adjectives, mean, "made of wool," "made of silk," etc. (Winsted Hosiery Case 258 U. S. 483), and "made of wool," etc., means "all wool," "pure wool," etc. The same rules apply to derivatives of these names such as "Woolen," "Silken," etc.

Terms such as "Wool Mixed," "Wool Mix," "Wooley," "Wool Finished," "Silk Mixed," "Silky," "Silklike," etc., are ambiguous and misleading and should not be used. The material content should be named, e. g., "wool and cotton mixed," etc.

WEAVES, TYPES OF

20

In describing merchandise, it should be remembered that there are only three basic weaves: plain or tabby, satin, and twill. In addition to these basic weaves there are certain fancy weaves such as jacquard, dobby, pile, and gauze which are employed to obtain effects impossible to produce with the standard weaves. None of these weave names denote fiber content, with the single exception of satin. The word "satin," as most commonly used, and unless otherwise qualified (e. g., "rayon satin") means a cloth of silk content, although it is the name of a weave and may be used properly in that sense.

The names of materials or fibers, such as alpaca, flax (linen), silk, etc., are not indicative of a type of weave, and therefore such expressions as "Alpaca Weave," "Linen Weave," etc., should not be used; nor should the word "weave" be used with any fabric term except satin. (See No. 28, 52, 111, 105, 355.)

ADORNMENTS, DECORATIONS, STRIPES, BORDERS

21

In describing the material content of a finished or manufactured product, the material content named should be descriptive of the body material. Adornments, decorations, stripes, or borders of different composition from the body of the article should be accurately stated, e. g., "Linen Towels, Cotton Stripes," "Linen Handkerchiefs, Cotton Borders," etc. (For further information regarding description of adornments, decorations, stripes, or borders, see No. 61, 269, 288, 296, 298.)

ANIMAL FIBERS

WOOL

22

Wool is the hair of sheep, goats, etc. There are many kinds of wool, such as Merino, Cashmere, Angora, etc. These generic names may be applied only to the kinds of wool specified by such names.

PAGE FROM "GUIDE TO RETAIL SELLING AND ADVERTISING"

This publication of the National Better Business Bureaus aids merchants to be accurate in the statements they make about goods.

Laws Governing Advertising and Selling

Statements made by retailers in regard to their goods are also regulated by law, although other agencies, such as Better Business Bureaus and teachers of salesmanship and advertising, are doing much to raise the ethical standards of selling and advertising by voluntary action.

AGENCIES THAT ARE RAISING ADVERTISING STANDARDS

Enlightened individual businessmen.

Teachers of salesmanship and advertising.

Textbooks on salesmanship and advertising.

Better Business Bureaus.

Trade-practice agreements promoted by government.

Laws and government regulations.

Better Business Bureaus are particularly important. They have been organized in leading cities by newspapers and businessmen combined to stamp out unethical selling practices and to keep misleading advertisements out of the papers. They set standards of advertising practice, prosecute fraud, attempt to prevent fraud, and attempt to educate the consumer. The *Guide* of the National Better Business Bureaus indicates what to say and what not to say in advertising hundreds of specified articles. Every retailer should have a copy.

Many states and municipalities have passed statutes making false advertising a misdemeanor. For example, in New York City an ordinance regulates fire sales and going-out-of-business sales. A permit must be obtained and inspectors must check to see that additional goods are not brought into the store especially for the sale event.

The federal government, through the Federal Trade Commission, has evolved trade-practice rules for the advertising and the selling of the products of many industries.

These rules have the force of law. For example, in the case of any article containing rayon, the presence of rayon must be disclosed to the potential buyer on labels, on sales checks, and in advertising. There are similar rules for silk, linen, the materials used in hosiery, and the shrinkage of woven cotton yard goods. There is also a federal law governing the labeling of wool products upon the basis of which the Federal Trade Commission has promulgated additional rules. The Commission also can order that misleading and false advertising of food, drug, and cosmetic products be stopped. The rulings of the Federal Trade Commission are available in book form and should be used as a reference by every retail advertiser.

Selling Methods. There are not many laws limiting selling methods as distinct from advertising methods except in the case of peddling. A great many states and municipalities regard peddling of merchandise as a nuisance and have laws either prohibiting it or requiring licenses for its practice.

In addition there are isolated laws governing specific methods. For example, one New York ordinance prohibits *pullers-in*. This means that salespeople are not allowed to stand at the doors of shops to urge passers-by to enter.

Taxation

Every man going into business finds himself subject to a variety of taxes. He should have a clear and complete idea of his tax liabilities in advance. He should plan taxes liberally in estimating his expenses; otherwise he is likely to find that he is losing money.

The chief taxes to be considered are as follows:

- (1) Real estate and property taxes.
- (2) Merchandise taxes—in some states a percentage of the cost value of merchandise carried.
- (3) Occupational license taxes—to handle certain types of goods, such as drugs and liquor, or to obtain a certificate of doing business for an unincorporated store or a charter for an incorporated one.

- (4) Excise taxes—tax on each unit of certain articles handled, such as oleomargarine and cigarettes.
- (5) Sales taxes—tax on all sales, generally collected from customers.
- (6) Social security taxes—unemployment insurance and old-age benefits.
- (7) Chain-store taxes—really special occupational license taxes that increase with the number of store units operated by a chain. Thus in Texas the tax to operate a single store is \$1 a year; but if a second store is opened, a tax of \$6 must be paid, and from the third to the fifth stores a tax of \$25 a store must be paid. If a chain has over fifty stores, it must pay \$750 a store on all stores in excess of fifty.
- (8) Income taxes—in addition to the federal income taxes, some states also have income taxes.

The basic reason for most of the above taxes is to raise needed revenue, but some are to restrict certain types of distribution, such as the sale of oleomargarine that competes with butter, or to restrict the sales of chain stores that compete with independent stores.

VOCABULARY

Study the following words. Try to make them a part of your vocabulary.

Excise tax—A tax per unit of sale or purchase, levied on certain specified commodities.

Federal Trade Commission—An agency of the federal government to interpret and enforce laws governing price discrimination and advertising and selling practices.

Laissez faire—A policy of government to leave business alone and to depend upon the forces of competition to provide regulation to protect the public.

Social security laws—Laws covering old age and unemployment insurance.

Unfair-practice laws—State laws making it illegal for a merchant to sell his goods for less than cost.

Workmen's compensation—The right of the worker to have his expenses paid in case he is injured in connection with his job, regardless of who is at fault. Stores protect themselves against this risk by means of insurance.

QUESTIONS ON THE CHAPTER

1. To what extent could John Wanamaker regulate his own business when he started his first store in Philadelphia?
2. What are five reasons for increased government regulation?
3. In what eight ways does government regulate retailing?
4. For what six reasons have government regulations of retailing become more noticeable during the last ten to twenty years?
5.
 - a. What are the chief aims of the municipal laws governing retail store buildings?
 - b. Before electricity may be turned on, what is done?
 - c. What do officials do at regular intervals regarding elevators and escalators?
 - d. For what purpose does a fire department inspect a building?
 - e. For what reasons may the police department inspect the outside of a building?
6. What are the four reasons for government regulations of working conditions?
7.
 - a. What is the maximum number of working hours allowed for women in most states?
 - b. What is the minimum age at which minors may go to work in most states?
 - c. In some states, what must minors under a certain age do before they can legally be employed?
8.
 - a. Approximately how many states have set minimum wages for women and minors?
 - b. How many states have set minimum wages for men?
9.
 - a. What do most states provide for injured employees in cases of occupational accidents?
 - b. How may the state be sure that the employer is able to cover his liability?
10.
 - a. What does the Federal Social Security Act provide regarding unemployment insurance?
 - b. What is the old-age benefit system? Explain.
11.
 - a. What is the main reason for government regulation of prices?
 - b. Under what three conditions may competitors be injured?
 - c. What is meant by *fair-trade laws*?
12.
 - a. What do unfair-practice laws prohibit?
 - b. What are the unfair-practice laws designed to avoid?
13. What do the antidiscrimination laws attempt to prevent?
14. What are the three main provisions of the Robinson-Patman Act?

15. What does the Federal Pure Food, Drug, and Cosmetic Act require?
16. *a.* What is meant by a *priorities plan*?
b. What is meant by *freezing orders*?
17. What six agencies are helping to raise the standards of advertising?
18. *a.* What have some states and municipalities done regarding peddling?
b. What is meant by a *puller-in*?
19. What eight types of taxes may be encountered by a retailer?
20. What are the two main purposes of most taxes?

PROBLEMS FOR DISCUSSION

1. Give the pros and cons of minimum wage laws for women; for minors; for men.
2. Should there be any legal limitation on the number of hours a week that a man may work? a woman? Why?
3. Is it better for a person to provide by voluntary saving for his old age or for the government to force both him and his employer to contribute to an old-age pension fund? Give the reasons for your answer.
4. Is it wise for government to give manufacturers the right to sell their goods only under a resale price agreement?
5. Why do retailers sell new and standard goods below cost price?
6. Should store buyers be allowed to receive gifts or entertainment of any kind from manufacturers?
7. An Eastern store advertised nationally famous clocks, naming several brands, but none were found in stock on the day of the sale—all of the clocks for sale being unknown brands. What can be done to eliminate such practices?
8. Give arguments for and against special chain-store taxation.

THINGS TO BE DONE

1. As a member of a committee appointed by your instructor you may be asked to secure from a merchant the following information:
 - a.* A list of all the reports that he has to make to city, state, and federal governments.
 - b.* A list of the inspections that are made of his store by public authorities.
 - c.* A list of the public regulations that he can think of that affect his conduct of business.

d. A list of the kinds of taxes he has to pay to city, state, and federal governments. (Not the amounts paid.)

Be prepared to report your findings to the class.

2. As a member of a committee appointed by your instructor you may be asked to find out what ordinances your city or town has passed to protect the public from injury in business buildings. These may be obtained from the office of the city clerk. Be prepared to report your findings to the class.
3. Look up your state laws governing employment in mercantile establishments. If possible, obtain from your state Labor Department a copy of the abstract to be posted in stores.
4. Does your state have an *unfair practice law*? If so, what are its provisions?
5. What restrictions are there in your state or city on the sale of optical goods, household drug products, bedding, seeds, and prison-made goods?
6. As a member of a committee appointed by your instructor you may be asked to obtain a copy of the *Guide to Retail Selling and Advertising* of the National Better Business Bureau. Find out the standards recommended for the advertising of some line of goods. Study actual advertisements of this line in the local newspapers. How closely are the standards observed? Be prepared to report your findings to the class.
7. Find out the following facts about taxes in your state and city.
 - a. Is there an income tax? What is the rate on profits for corporations?
 - b. What is the tax rate on business real estate?
 - c. What occupational license fees are required of retailers?
 - d. What excise taxes are required?
 - e. Is there a sales tax? What are its provisions?
 - f. Is there a chain-store tax? What are its provisions? Has it, or an almost identical tax in another state, been tested in the courts? With what results?

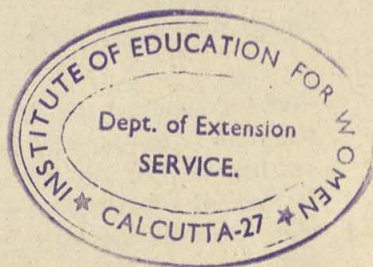
WHAT WOULD YOU DO IN THIS CASE?

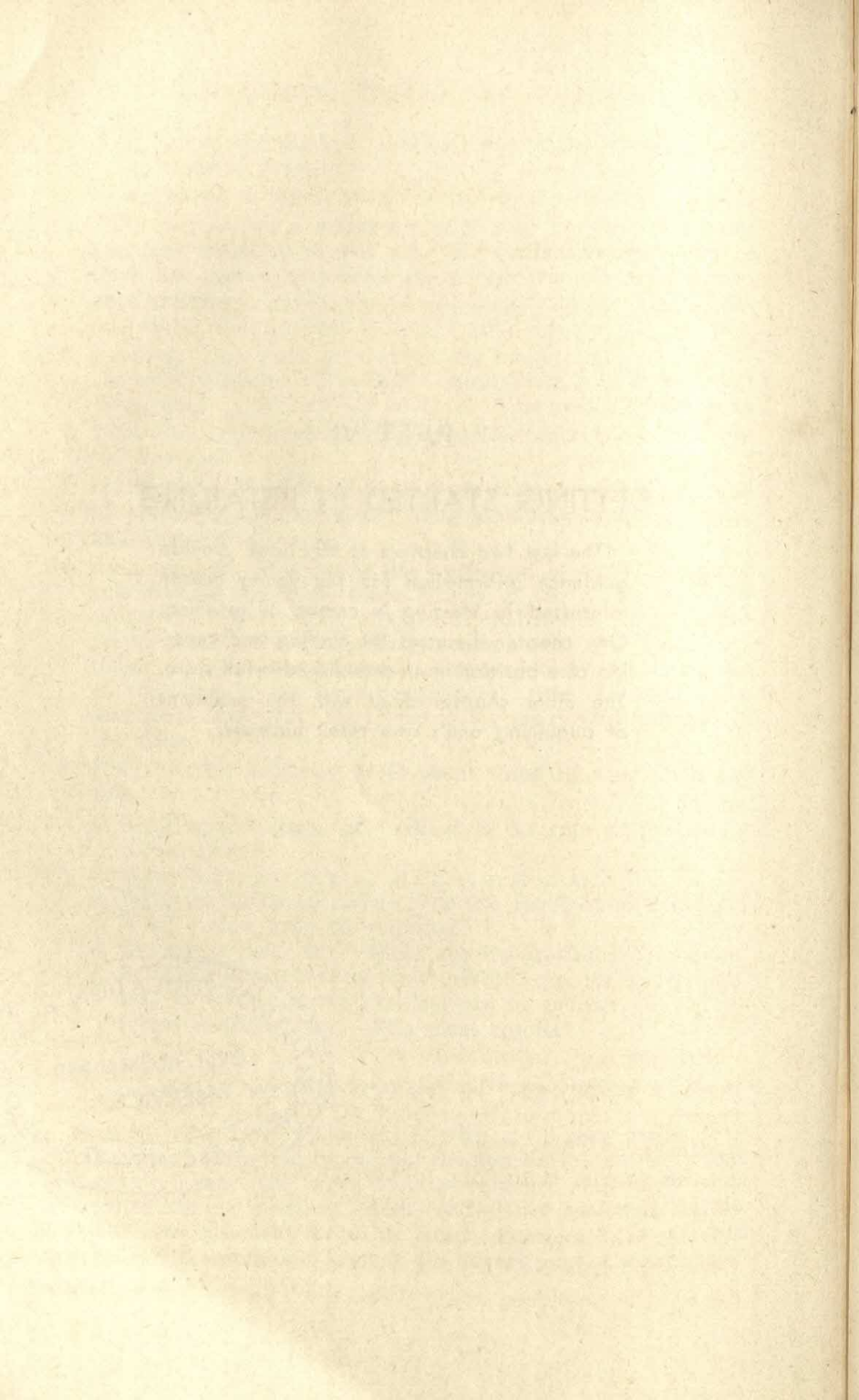
A store advertised a \$5 watch with a "5-year guarantee." Purchasers of the watch found that the guarantee certificate read that within 5 years the watch could be returned and the \$5 could be applied against another watch costing not less than \$17.50. Was the advertisement illegal or simply unethical? If you had purchased this watch on a basis of the advertisement, what action could you take?

PART VI

GETTING STARTED IN RETAILING

The last two chapters of this book provide guidance information for the young person interested in starting a career in retailing. One chapter discusses the finding and securing of a position in an established retail store. The other chapter deals with the problems of beginning one's own retail business.





CHAPTER XXVI

GETTING A JOB IN RETAILING

Norman Laring, the high school senior referred to in the first chapter, was convinced that retailing offered the best opportunities for his abilities. He liked people, had a natural interest in goods, and was physically and mentally qualified for store work. The next logical step for him was to get a job in a store. He wanted a place where he could begin to learn about retailing from the ground up and apply what he had learned in school, for someday he hoped that he would own a store of his own. Now, how should he go about getting this retailing job? The school counselor gave him the following advice:

How to Look for a Job

A person who wishes to enter the field of retailing should map out a sales campaign to sell his services, very much as a sales manager maps out a campaign to sell goods. Just as the advertiser studies the selling points of merchandise, so the job seeker should study his own selling points. He should ask himself questions somewhat like these:

Why would a retailer want to employ me? What can I do for him? Can I give enough return for the money he pays me? Do I have enough education? Enough experience? Which retailers will want me? Where can I find them? How can I get in touch with them?

Friends and Acquaintances. Of all the methods for finding a job, the one that experience has proved to be most fruitful is for the job seeker to tell his friends and acquaintances that he is looking for a job and the kind of job he wants. Some one of his friends may know or learn of an opening or may be able to suggest the retail employers who are most likely to be interested in a person of his qualifications. Unfortunately job seekers often hesitate to let their friends know that they desire work because

WAYS TO GET A JOB

Notify friends and acquaintances.

Study help-wanted columns.

Use situation-wanted columns.

Watch for window signs.

Register with employment agencies:

Public.

School.

Private.

Write letters to possible employers.

Visit store employment offices.

Use recommendations of friends.

Follow up previous contacts.

Contact through previous employment.

they have a false notion that looking for a job is something to be ashamed of or that they have no right to impose their personal problems on their friends. As a matter of fact nearly everyone is a job seeker at some time, and friends are the natural ones to whom to turn for aid.

Some people feel that to depend upon friends or relatives is to use *pull*, and they believe that a person should be able to get a job solely because of his own ability, not because of the people he knows. But, after all, an employer learns much about an applicant from the kind of people he associates with. Moreover turning to friends for help does not mean that they are to urge an employer to favor a job seeker over someone better qualified. The chief duty of friends and acquaintances here is to locate available jobs and possible employers. Even if they use their influence with a store in order to get the applicant a job, they cannot hold the job for him. If he lacks the necessary ability, he will not be able to hold the job very long.

Generally speaking it is not desirable to take a job with a relative. Store managers who give young relatives their

first jobs tend to think of them as still being children and to dismiss their ideas as immature. In many cases young people have a better chance to develop initiative if they work for strangers.

Help-Wanted Columns. In the help-wanted columns of newspapers and trade papers, selling and nonselling jobs may be classified separately. In some cases the advertisement calls for a letter of application and in others for a direct interview. Beginners can often locate positions for untrained people in the help-wanted columns of newspapers, whereas experienced retail executives in search of other jobs may find what they are looking for in the classified columns of trade papers.

Situation-Wanted Columns. A job seeker can advertise his services in the situation-wanted columns of newspapers and trade papers. This is not a good method for a beginner, but experienced people occasionally get results in this way.

Window Signs. In some types of stores, offices, and factories notices of help needed are posted in the windows or at the entrance. In restaurants, for example, it is common to see a sign reading, "Waitress Wanted." Jobs obtained in this way are likely to be temporary and are not well paid, but they do offer some income and may provide worth-while experience.

Employment Agencies. Retailing positions are often procured through public and private employment agencies. In every large city there are agencies that handle experienced salespeople as well as beginners, and there are a few private employment agencies that make a specialty of placing retail executives. Most of these agencies have fair standards of doing business. Since an occasional agency operates with questionable ideals, however, it is wise to be sure that methods, obligations, and financial considerations are perfectly understood before registering with an agency.

For experienced salespeople and nonselling workers, employee unions are becoming an important agency for employment. If a union member loses or leaves a job, the



Retail Personnel Bureau, New York

AN EMPLOYMENT AGENCY

This agency specializes in placing retail help. The manager is interviewing a young applicant for a job.

union will aid him either in getting his old job back or in placing him in a new job.

For young people seeking their first retailing jobs, the placement bureaus of schools and colleges are better than the public agencies. Schools that use the part-time co-operative plan generally have a co-ordinator who canvasses stores for part-time jobs that retail students can fill. A card of introduction from the co-ordinator to a store employment manager will generally assure a prompt and cordial interview, whereas visits with no introduction may result in long unproductive waits in outer offices. These part-time jobs frequently develop into full-time jobs when students are graduated.

Direct Letters to Possible Employers. Many retail store job seekers decide upon a store, or a number of stores, in which they would like to be employed and write asking for an interview. The applicant will get the best results if he selects a few stores that particularly appeal to him as places to work. A letter to each store stating why the person is anxious to become associated with that store will probably lead to the store's granting an interview.

An excellent plan for a person with former experience in business is to incorporate the letter into a *portfolio* about himself.

It may include the following in the order indicated:

- (1) The letter itself.
- (2) Descriptions of previous work or experience.
- (3) Letters of recommendation.
- (4) Personal data on education, training, and special talents.
- (5) A photograph.

A number of these portfolios may be prepared and may be mailed to possible employers.

Watching the news columns of newspapers sometimes reveals employers who are likely to be in need of help and to whom letters of application may be sent. A news account of special Christmas plans in some store may give a clue as to how the applicant might fit himself into the store's program. One young man, who had specialized in one line, read of the retirement of a man holding the kind of position for which he was well qualified. He immediately wrote a letter to the organization stating that he understood they had an opening for a man of his capabilities.

Direct Visits to Stores. It is often possible, without a preliminary letter of introduction, to call on a merchant and to ask for a job. In a large store it is a common practice for a person to go directly to the employment office to inquire of the preliminary interviewer if any suitable job is available. The best times to get jobs are:

- (1) In September when stores are hiring for the busy fall season.
- (2) In November when they are hiring for the Christmas season.
- (3) In March when they are hiring extras for the Easter season.

The jobs so available are generally temporary, but sometimes they lead to regular ones. Even temporary jobs are of great value to a beginner; in addition to pay, they provide essential experience that may qualify him for a full-time job later on. Even if the applicant fails to secure a job at once, his name may be kept in the store's files as a

possible future employee. Stores frequently keep the names of people they have interviewed as important sources of employees when they are needed.

Recommendations. This plan includes not only notifying the friends of the job seeker that he desires a job, but also asking these friends to make an active effort to *sell* the job seeker to employers. Many stores urge their employees to recommend friends who are well qualified for store work. The friend of the applicant will telephone, write, or speak to the store executive and ask him to see the applicant. If the friend writes about the applicant, he should address his letter of recommendation to a definite official, because letters of recommendation addressed "To whom it may concern" are of little value. The most effective letter is one that states specific facts about the applicant that should be of interest to a new employer. The executive need not be the employment manager, for if he is favorably influenced by the candidate, he will turn him over to the employment office with a recommendation for careful consideration. When the executive indicates that he can use the person in his own department, the employment office is likely to hire him.

Previous Contacts. Students who have called on store executives for information about some of their studies and who have been granted interviews with executives while working on a school project find that these contacts may pave the way for jobs later. Frequently executives offer jobs to those who originally came to see them for other purposes.

Some people enter retailing indirectly by first getting jobs with manufacturers that take them into retail stores. Many manufacturers, for example, employ store demonstrators for their products. These demonstration jobs often lead to regular store jobs. Manufacturers' salesmen, also, make contacts with buyers and merchandise managers that may result in their being offered store jobs.

Previous Employment. One way to get a full-time job in a store is through previous part-time experience. Many

schools require that retail students shall work part time in a store. If such a student has made a good record in his part-time job and has made friends among store officials, it is comparatively easy to return later and to obtain a full-time job. A good work record is the greatest asset a young person can have. In fact, most stores when looking for employees turn first of all to their files of former employees.

Choosing the Method of Contact. It is not always possible to make a definite choice from among the various methods of contacting employers. In general, however, the student will usually get the best results either by asking friends to help him or by using the school placement office. The latter agency is being turned to, more and more, by employers of all kinds.

The Application

The Letter of Application. Regardless of the method used to contact employers, the applicant is frequently required to write a letter of application. Even when the first approach is by means of a personal call, the employer may ask for a letter so that he may judge the applicant's ability to use good English.

The letter of application is really a sales letter, the object of which is to sell the applicant's services. Since it is a sales letter, it should include all the steps in a sale. Thus it must first attract favorable attention. This it can do by means of its physical appearance. It should be well centered on the page and should be carefully typed. The contents of the letter should be planned not only to gain favorable attention, but also to develop interest in the applicant and to create a desire for his services. Should the letter be written in response to an advertisement, every fact requested in the advertisement should be included. The writer should analyze himself as he would some merchandise that he is selling, and he should determine what he has that would be of value to an employer. The letter should, of course, provide the address and the telephone number at which the applicant can be reached. Notice how these matters are taken care of in the letter reproduced on page 532.

2514 North 30th Street
Philadelphia, Pennsylvania
June 15, 19

Mr. Charles Adams, Personnel Director
Keystone Retail Stores, Inc.
2150 Ridge Avenue
Philadelphia, Pennsylvania

Dear Mr. Adams:

As a high-school graduate who is interested in retailing, I am writing to you regarding the possibilities of my being employed in your store.

For the past six months I have worked as a sales clerk after school hours and on Saturdays at The Star Sales Company, 1651 Brown Street, and during July and August of last year I worked in the receiving room of William Stewart & Sons, 6220 Frankford Avenue. In these positions I learned modern procedures of handling incoming shipments and a great deal about merchandise and how to sell. I was especially successful in selling house furnishings and toys.

During the past year, as part of my work in retailing at the Southwest High School, I made a study of merchandising methods in department stores. My courses in English and Art in the high school helped my work in retailing.

I am an American, eighteen years of age, and in excellent health. Although I have not had a great deal of experience, I do have a desire to learn and willingness to work hard.

My former employers have given me permission to use their names as references, and you may also inquire about my qualifications at the office of the Southwest High School.

If you feel that my background and interest are satisfactory, I shall appreciate it if you will let me call so that you can judge my personal qualifications. My telephone number is Gladstone 1078.

Sincerely yours,

Kenny Kennedy

The letter is short and to the point and yet it gives all the essential facts.

The Application Blank. Most large employers and employment agencies require that applicants fill out an application blank. In some stores a brief preliminary interview is held before the blank is filled out. This preliminary interview enables the employer to note the appearance and the physical characteristics of the applicant and to determine the kind of work sought. Well-qualified applicants are then asked to fill in the application blanks; the others are dismissed.

A person may be interviewed on the same day on which he fills out a blank or he may be called back later when the store has need of someone with his qualifications.

On page 534 is a typical application blank. Notice that there are questions about education, experience, references, and personal information. Each question should be answered fully and in a neat and legible hand. The interviewer later will form part of his impression of the applicant from the way the application blank has been filled out. Misstatements of any kind, whether regarding the applicant's age, education, health, or any other matter, are dangerous. Such falsehoods are generally discovered upon writing to references, and the applicant will probably be given no further consideration.

The Interview

Regardless of the method used in contacting an employer, an interview is generally required. During the interview the principles of personal salesmanship must be used if the applicant is to be successful. Personal appearance, approach, posture, voice, English, and manner—all play an important part in getting the job. Consequently the applicant for a position should take as much pains in preparing for a personal interview as a salesman does in preparing to meet a prospective customer. Here is what should be done:

The Preparation. First of all the applicant should be careful about his appearance. Lack of personal cleanliness

FORM NO. HSSB 3M 10-37

SOCIAL SECURITY NO. _____

HAHNE & CO. NEWARK, N. J.

IMPORTANT NOTE
PLEASE FILL OUT
THIS BLANK CARE-
FULLY IN YOUR OWN
HANDWRITING. WE
DO NOT DESIRE TO
PAY INTO YOUR AP-
PAIRS, BUT THE MORE
WE KNOW ABOUT YOU
THE BETTER WE CAN
PLACE YOU WHERE
YOU WILL BE suc-
cessful AND HAPPY.

(Print Last
Name)

LAST

FIRST

MIDDLE

Age _____ Yrs. Maiden Name _____

Address _____

City _____

Phone _____

Own or
Nearest?MARK AN X IN THE SQUARE IN FRONT OF
THE WORDS THAT FIT YOUR CASE

- | | |
|--|--|
| <input type="checkbox"/> Single | <input type="checkbox"/> Living with Parents |
| <input type="checkbox"/> Married | <input type="checkbox"/> With Relatives |
| <input type="checkbox"/> Widowed | <input type="checkbox"/> Boarding |
| <input type="checkbox"/> Separated or Divorced | <input type="checkbox"/> House-keeping |
| <input type="checkbox"/> White | <input type="checkbox"/> Colored |

Were you ever employed
by Hahne & Co. before?In what
Dep'ts.?

How long?

Approximate
Date you left

GIVE LAST THREE PLACES YOU WORKED—BEGIN WITH THE LAST

LEAVE
BLANK

LAST EMPLOYER	WHAT WAS YOUR POSITION? WHAT DID YOU DO?	WORKED UNDER WHOM?	HOW LONG?
ADDRESS IN FULL	REASON FOR LEAVING?	FROM	YES.
KIND OF BUSINESS	WEEKLY SALARY	TO	
NEXT TO LAST EMPLOYER	WHAT WAS YOUR POSITION? WHAT DID YOU DO?	WORKED UNDER WHOM?	HOW LONG?
ADDRESS IN FULL	REASON FOR LEAVING?	FROM	YES.
KIND OF BUSINESS	WEEKLY SALARY	TO	
PREVIOUS EMPLOYER	WHAT WAS YOUR POSITION? WHAT DID YOU DO?	WORKED UNDER WHOM?	HOW LONG?
ADDRESS IN FULL	REASON FOR LEAVING?	FROM	YES.
KIND OF BUSINESS	WEEKLY SALARY	TO	

Other Firms Worked For. (Give how long
employed and approximate date you left each.)I have had experience selling in the following departments: (Give length of
time in each)I have had training and experience in the following
non-selling positions: (Give length of
time in each)Check _____ Other Office
Typing ☐ Dictation ☐ Machines

I can carry on a conversation in the following languages other than English:

I am Protestant ☐; Catholic ☐; Hebrew ☐; _____ ☐.I observe no other than
Legal Holidays and Sundays ☐. I observe _____ additional holidays.
NUMBER

Relatives of mine working for Hahne & Co. are (give names and relationship):

Friends of mine working for Hahne & Co. (name and dep't):

I was sent in by (or read adv. in which paper):

IT IS UNDERSTOOD AND AGREED:

- (1) That my engagement may be terminated by either party at any time without compensation in lieu of notice.
- (2) That I am to receive no additional compensation for overtime, however arising, unless agreed upon and evidenced in writing by the Personnel Director.

Date _____ 19____ Signature _____

My height is _____ ft. _____ ins. My weight is _____ lbs.

I was born on (date) _____

in _____

I have dependent on me for support the following:

Children: Number _____ Ages _____

Others _____

STATE WHETHER WIFE, MOTHER, GRANDFATHER, ETC.

	GRADE REACHED	GRADUATED		NAME AND ADDRESS OF SCHOOL
		YES	NO	
Grade School				
High School				
Business or Evening				
College University				

My father's occupation is (or was)

My husband's (or wife's) occupation is:

Name and address of person to be notified in case of accident

A STORE APPLICATION BLANK

After a favorable preliminary interview, the applicant fills out a
blank similar to this one.

or carelessness in dress will kill all chances of the applicant being employed. Then the applicant should find out as much as possible about the prospective employer and his business. He should, by all means, know the employer's name and be able to pronounce it correctly. Finally the applicant should be prepared to show how he can fit into the business.

The Approach. When the time comes to be interviewed, the applicant should walk in with a businesslike manner. He should try to avoid signs of nervousness. He should remember that, after all, the employer is a human being who is really interested in hiring ambitious and conscientious people, not in turning them away. The applicant should be neither too friendly nor too reserved. If courtesy and good manners are habitual, conduct in these particulars will take care of itself.

The Conduct of the Interview. Sometimes the interview is simply a casual conversation, but it is a conversation with a purpose. It must give the employer information he wants. The following are typical of the questions the interviewer may ask an applicant, and every applicant should have a short, clean-cut answer for each one:

What experience have you had?

What are your chief interests?

What kind of work do you want?

Do you want part-time or full-time work?

What schooling have you had?

What extracurricular activities did you engage in at school?

Do you have relatives working here?

Why do you want to work for us?

What is your goal for the future?

How many days during the past year have you been ill?

How much salary do you expect to earn?

In answering such questions, or in giving a personal history, the applicant should speak clearly and to the point. Elaborate details should always be avoided and care should be taken not to air personal troubles. The applicant should realize that more important than the questions and answers

themselves is the impression made on the employer. The latter is really attempting to size up the applicant along the lines indicated below:

WHAT THE INTERVIEWER WANTS TO KNOW

Suggested by Mrs. Jean L. Shepard, director of executive personnel, Lord & Taylor, New York.

1. Did the applicant obtain as much education as was possible in view of his circumstances?
2. Is he alert?
3. Has he seemed to learn from experience or does he repeat the same mistakes?
4. Is he attentive?
5. Does he think clearly and express himself well?
6. How open to suggestion is he?
7. Is his memory good?
8. Does he show good common sense?
9. What special interests has he?
10. How well informed is he on the things going on around him?

The Closing. The personal interview may end with the applicant's getting the position. In that case he should be sure that he knows where and when to report, and of course he should thank the interviewer in a businesslike manner and leave promptly. On the other hand, the interviewer may close with a promise to "keep you in mind" or "let you know." If this is the result, the applicant should leave promptly, in a pleasant manner, thanking the interviewer for his attention. Remember that very often jobs are not obtained on the first interview. A gracious leave-taking may eventually land the job. It is often a good policy not to wait for the employer to "let you know." The fact that the applicant is persistent and at the same time courteous and tactful is likely to make a good impression on an em-

ployer. Return visits by the applicant help to keep him in mind so that he may be the first one to be thought of when an appropriate job is open.

The personal interview should be used as a test of selling skill. A failure to land a job should be analyzed just as a failure to make a sale is analyzed. This will allow the elimination of weak spots from the job-getting technique. It is a good plan for a job seeker to make out a card for every interview. This should give the name of the store, the date of the interview, the name of the person who granted the interview, the chief questions asked, the nature of the job considered, whether or not the candidate was asked to return, and the *date* the candidate should return. To return for a second interview exactly on the date indicated and to address the employer by his name makes a favorable impression that may eventually produce a job.

Tests. Many large stores supplement interviews with tests. These tests are designed to determine the aptitudes and the proficiency of the applicants. The use of tests is increasing because it is too expensive to follow the old hit-or-miss method of fitting persons to jobs. Tests are also used in selecting people for promotion.

A satisfactory battery of tests to determine whether an applicant will make a good salesperson is still in the experimental stage. One reason for this is that the qualities needed for selling vary somewhat with the line of merchandise to be sold and with the policies of the store. For example, a person selling hosiery has to be quick, forceful, and positive, whereas a furniture salesman has to be deliberative and highly social. Again, the nervous condition of the person to be tested affects his score.

Recently, Bloomingdale's, New York, gave a battery of standard tests to 400 applicants for sales positions. The performance of each was carefully checked and it was found that the majority of those who achieved ratings above a certain "critical score" were successful and most of those who failed to achieve this score were unsatisfactory. Thus, the tests may make it possible to eliminate most candidates that would fail on the job. Nevertheless, the store manage-

ment regards the tests as simply supplementary to the employment interview.

Physical Examination. In a few large stores no employment is final until the applicant has passed a physical examination. Stores try to avoid employing people who may be unable to endure the strain of standing long hours and of working indoors. One store insists that diseased tonsils be removed before employment and that physical defects be corrected. Such care protects both the store and the employee.

Emp. No. 9	
ENGAGEMENT NOTICE	
Date <u>June 21, 19</u>	
To <u>Mr. John S. Lyall</u>	Dept. <u>Furniture</u>
Co-Worker <u>Henry Kennedy</u>	
has this day been engaged for your department as <u>Junior Salesman</u>	
EMPLOYMENT DEPARTMENT.	
By Michael P. Strange	

AN ENGAGEMENT NOTICE

If an applicant is employed, he may be given a notice like this one to deliver to the manager of the department in which he is to work.

VOCABULARY

Study the following words. Try to make them a part of your vocabulary.

Help wanted advertisement—A classified advertisement placed by an employer that states the qualifications needed to fill a position he has open.

Interviewer—A representative of the employer who asks an applicant questions concerning possible employment.

Letter of application—A letter sent to prospective employers; it should contain facts about education, experience, and personal data.

Personal data—Information about the individual, including such facts as age, sex, education, and experience.

Recommendation—A statement or letter from a friend or acquaintance; it may be used by an applicant in applying for a position.

QUESTIONS ON THE CHAPTER

1. In studying his own selling points, what questions should a job seeker ask himself?
2. What is the best of all methods for finding a job?
3. *a.* In what section of the newspaper may beginners often locate positions?
b. Should beginners advertise in the situation-wanted columns of a newspaper?
4. What is the objection to the kinds of positions that are secured through notices posted in a window?
5. Why is it advisable to investigate the methods, obligations, and financial condition of an employment agency before registering with it?
6. What kind of placement bureaus are best for young people seeking their first jobs?
7. *a.* What is meant by a *portfolio*?
b. Should portfolios be used by experienced or by inexperienced salespeople when seeking jobs?
8. What are the best times in the year to call directly on stores in regard to jobs?
9. Why is a recommendation addressed "To Whom It May Concern" of little value?
10. *a.* How may calls made on store executives by students asking for information about their studies lead to jobs?
b. How may part-time employment while a student is still in school lead to steady employment?
11. *a.* How is a letter of application really a sales letter?
b. Why are misstatements on an application blank dangerous?
12. What preparation should be made by an applicant before an interview?
13. What manner should be used by an applicant in approaching the employer?
14. What are eleven possible questions that may be asked by an interviewer?
15. *a.* If an applicant secures a job, what should he know before he leaves and what should he do when leaving?
b. If the interviewer merely promises to keep an applicant in mind, how should the applicant leave?
16. Of what is a personal interview a test?

17. If an applicant fails to get a job, what should he do regarding his failure?
18. What information for his own personal use may a job seeker place on a card after each interview?
19. Why are large department stores making increased use of tests when employing salespeople?
20. Why do large stores frequently give physical examinations to applicants?

PROBLEMS FOR DISCUSSION

1. In what school subjects is a retail employer likely to be especially interested?
2. What type of clothing should be worn by a young man who is calling on a retailer regarding a job?
3. What would you consider "pull" in securing a job?

THINGS TO BE DONE

1. Practice a personal interview with your instructor. He will act as the employer and you will apply for an imaginary position named by the instructor. Other members of the class, as well as the instructor, will analyze your interview.
2. Write a letter of application for a position in a local store.
3. Prepare a complete portfolio about yourself that might be used in applying for a job.

WHAT WOULD YOU DO IN THIS CASE?

You and two other students have been selected by your instructor to apply for one position open in a local store. You think you are better suited for the position than the other two. What steps would you take to get the position?

CHAPTER XXVII

SETTING UP YOUR OWN STORE

Preparation Needed

Nearly everyone thinks he can run a store, but as a matter of fact only a small proportion of the thousands of people who start stores every year really succeed. Why? Because the average person thinks that all that is needed to open a store is a few hundred dollars and a place to do business. He does not realize that one of the main causes of failure is lack of experience and training. He overlooks the fact that retailing is governed by well-defined principles that should be clearly understood and practiced.

Experience. No one should attempt to enter retailing on his own until he has had a few years of all-around retailing experience. This experience may be obtained by working in a small store and doing the many kinds of work that retailing includes. Some, at least, of this experience should be in a position as store manager or in a position where quick decision is necessary and responsibility is involved.

Training. In addition to experience, the beginning retailer should have some training in retailing in college, high-school, or evening courses. Years ago such training could be obtained only through the apprenticeship system. The advantage of formal training is that it provides background for retail experience. A study of economics and distribution costs, for example, will give the beginning retailer a broad viewpoint of retailing so that he can see just where he fits into the picture and what he is to do. In fact, formal training enables the retailer to meet and to understand problems that experience alone can never provide. Such training is based on the experiences of many people. It analyzes these experiences and, on the basis of these experiences, decides on general principles that govern successful retailing.



National Cash Register

BUSINESS FAILURE

This failure resulted from lack of experience on the part of the owner. There are definite principles for establishing a business and operating it profitably.

Aids. In planning to open a store, a person should get all the aid he can from specialists in the field. The United States Department of Commerce will prove helpful. It has prepared a series of books covering the establishment and operation of the most common types of small stores and service establishments. It has also prepared other books covering such matters as location and policy, as well as a check list of things to know and do. The regional offices of the Department of Commerce are ready to help beginning merchants and maintain libraries for that purpose. In addition, any good public library will have books containing ideas on how to enter the retail business. Finally, trade papers carry much information of value to the beginning retailer.

Individual aid for the beginner can be had from the suppliers of merchandise. Leading wholesalers maintain serv-

ice departments that specialize in helping merchants get started. There is usually no charge for this service, but a merchant may have to contract to buy a considerable portion of his requirements from the wholesaler who provides the service. Equipment supply houses help merchants plan model layouts and introduce modern systems. They also offer other services such as, free booklets that discuss the problems of particular businesses.

In the apparel lines, there are in New York and other centers organizations called resident buying offices; they help stores to find suitable merchandise in the wholesale markets. Many of them also provide counsel on all phases of store operation. A beginning merchant of women's apparel, especially, will be wise to associate himself with a buying office from the start.

What One Young Man Did. A young man who had been the assistant manager of a unit of a grocery chain decided to go into business for himself. Previously, he had twice lost jobs due to no fault of his own. To advance further with the chain he was with would require that he move with his family to another city, since his immediate superior was well established and the chain's expansion plans were for other localities.

He felt that if he owned his own store he would have job security and could remain settled near his friends. He also felt that it would be more pleasant and stimulating to work for himself than for someone else. Finally, he believed he could earn more money if he were in business for himself.

Factors to Be Considered. Before he could actually start his store, he had to do seven things:

- (1) Decide what kind of a store to open.
- (2) Decide what sort of a store personality he wished to create, including the services he wished to offer.
- (3) Determine how much capital was needed and where to procure the additional amount he would need.
- (4) Find an appropriate location for his store.
- (5) Plan a building, including equipment and layout, suitable for the kind of store he had in mind.

- (6) Decide on the distribution of his capital and estimate his first year's financial statement.
- (7) Set up an organization and hire the necessary employees.

Not until those seven preliminary matters had been attended to, would he be ready to select his stock and open his doors to the public.

Deciding on the Kind of Store and on Personality

Kind of Merchandise. Obviously the first decision to be made was regarding the kind of store to be opened. Should the new store be a grocery store, a drugstore, a men's haberdashery, a dress shop, a restaurant, a filling station, or one of the many other types of retail stores? (A detailed discussion of the types of stores from which to choose is given in Chapter III.) The answer depended upon:

- (1) The interests and the training of the person who was going into business.
- (2) The need for a particular kind of store in the community in which that person was going into business.
- (3) The amount of capital needed for different types of stores.

Past Experience. In general a person should open the kind of store with which he has had previous experience. The young man naturally decided to open a grocery store. He was somewhat handicapped, however, by the fact that his experience had all been in chain stores and he had never faced many of the problems of the independent merchant. In the chain, the central office kept the financial records, paid taxes, and arranged for insurance. Central buyers provided him a loose-leaf catalog of every thing the store could stock. A store manager decided on quantities he needed, but he had no control over prices and he could not buy in the open market items not listed in the catalog. A central advertising department planned and wrote the advertisements and provided the store with advertising mats to use in the local newspapers. Central display managers provided the store managers with detailed sketches

and plans for window and interior displays. Finally a traveling supervisor laid down the company policies and instructions and checked to see that these were carried out.

The young man might have been better off if he had had a well-rounded experience as assistant to an independent merchant of foods. On the other hand, the chain had taught him modern, aggressive merchandising methods that many independent merchants lacked.

Community Need. It would have been unwise for the young man to open a grocery store merely because he had had experience in that type of business. No store should be opened unless it can fill a definite need in the community. Thus a town in which there are grocery and meat stores that give full service and charge high prices offers a good opportunity for a supermarket; and the intersection of a new highway with an old road offers a good location for a filling station. On the other hand, established competition is often desirable if the new store can distinguish itself in some way. This was the case in a Long Island community where there were already two supermarkets, one noted for excellent values and low prices on its own brand of canned goods, and the other noted for older and more experienced clerks who gave customers some service. But neither market had first-class fresh fruits and vegetables. This gave an opportunity for a third supermarket to establish a reputation for high-quality produce. The three competing stores close together made the town more of a shopping center and attracted people from a wide area. Many would shop from one store to another looking for bargains in each; thus all three stores benefited from the competition.

The young man who decided to open the grocery store found that several chains in his community were doing well in catering to mass demand on a self-service, cash-and-carry basis, but no high-class grocery store offered the services of waiting on customers, delivering orders, and extending credit. Some customers traveled to a large city not far away for fancy groceries. He felt, therefore, that there was a local need for a store that carried fancy groceries (along

with the staples), and that offered personal service, delivery, and limited credit service. Since many customers like to wait on themselves, he decided to open what is known as a semi-self-service store; the goods would be laid out so that the customers could serve themselves; but there would be no check-out desk, and those who wished to be waited on would be served. He decided on a very limited credit service, whereby reliable customers who ordered by telephone or wished to avoid daily cash payments could pay for their purchases once a week, with no further credit extended if they failed to pay within two weeks. Since probably not more than a quarter of his business would be done in this way, his accounts receivable would average not more than a half week's sales, even if everyone's payment was delayed for two weeks.

He had to decide whether to open a grocery store without meats or a combination store with meats. Obviously, the former type of store would take less capital, but an investigation revealed that the trend was definitely in the direction of the second type; most customers seemed to prefer to buy groceries and meats in the same store. Since the local chains, with their mass operation, did not consistently provide top quality meats and fresh fruits and vegetables, the young man decided that he should give especial attention to quality. Thus, he decided to build his store personality around three factors: quality, fancy grocery items, and personal service, although he would, of course, keep the usual stock of staples. Thus, his store personality and service grew out of his analysis of community need.

Capital Requirements

Upon investigation, the young man found that a combination grocery and meat business required a relatively small investment in merchandise, due to rapid turnover of food stuffs, but a large investment in equipment, particularly a refrigerator and refrigerated cases for the proper storage and display of fresh meats, fruits, vegetables, and frozen foods. He found that, whereas in the past grocery stores could be opened with only a few hundred dollars of capital,

he would now require nearly \$20,000 if he were to include a meat department. He studied the problem of how to secure the necessary capital.

The young merchant found he could secure the capital he needed from the following sources:

- (1) Personal savings.
- (2) Supply houses. An arrangement may be made to purchase furniture and fixtures on credit so as to cut down the amount of ready cash needed to open the store. One large store fixture concern will sell fixtures on the following terms: 25 per cent down before the fixtures are shipped, 8 per cent more upon installation, and the balance covered by notes bearing 6 per cent interest and payable over a period of one year. Stock for resale may also be bought on credit if the new store has a reasonable cash reserve.
- (3) Personal loans.
 - (a) Commercial bank loans on negotiable collateral.
 - (b) Life-insurance loans.
 - (c) Loans from personal loan companies on (1) co-makers (the guaranteeing of the loan by a responsible party), (2) collateral, or (3) personal property.
 - (d) Automobile loans.
 - (e) Loans from local credit unions and corporations (if merchant is a member).
- (4) Partners.
 - (a) From another person, or persons, willing to furnish some money and to help run the store.
 - (b) From individuals on a promissory note to be secured by a pledged interest in the business. In case of default the silent partner can assume control.
- (5) Public financing.
 - (a) Sale of bonds.
 - (b) Sale of stock.

The young man we have been considering had accumulated \$8,000 through savings and inheritance, and a relative



THE USES OF CAPITAL

Most of this store's capital is invested in merchandise and fixtures.

was willing to invest \$7,000 as a silent partner. The remaining capital, about \$4,000, could be obtained from supply houses, by purchasing merchandise and equipment on credit.

Location, Building, and Equipment

The problem of capital cannot be separated from the problems of location and building. If the young merchant were to buy a building, the \$15,000 he had available would not be enough. If he were to rent a store building unfurnished and buy all new equipment he might have to invest more than would be necessary to buy a going business with worn but usable equipment. On the other hand, if a store had goodwill to sell, as well as merchandise and equipment, the value placed upon the store's reputation might exceed the difference in cost between new and used fixtures.

Finally, the young man found an independent merchant with a large, well-situated building, who desired to retire. But most of his fixtures and equipment were old-fashioned,

and since he did not carry meat, he had no refrigerating equipment.

The retiring merchant was willing to sell his depleted stock of groceries at a fair price of \$1,500 and his worn equipment for \$500. He would retain ownership of the building and charge a reasonable rent. He demanded no special payment for goodwill, but insisted that all alterations and modernization be at the new owner's expense.

The young man found that it would cost about \$1,000 to alter the store to his satisfaction and that equipment other than what he took over would cost about \$9,500. He needed a walk-in refrigerator, a refrigerated meat display case, a refrigerated fruit and vegetable case, a frozen foods case, an electric meat cutter, a meat grinder, and precision scales. Although second-hand equipment was to be had, new developments in the field had been so great that the store would be seriously handicapped if it did not have the latest equipment.

While planning his new store, the young man found that the capital of any store could be divided into:

- (1) Fixed capital—the amount invested in store fixtures, equipment, building, and land.
- (2) Working capital—the amount invested in merchandise, either in the store or sold on credit and in the hands of customers.
- (3) Liquid capital—the amount of cash on hand.

Liquid Capital. The greatest difficulty is in maintaining sufficient liquid capital. After a location has been selected, the building altered or repaired, suitable fixtures and equipment installed, and stock purchased, the merchant often finds that he does not have enough liquid capital to meet expenses that arise before he receives any income from sales. Many merchants hope that sales will take care of salaries and bills as they come due; but it takes time to establish a business, sales may fail to meet expectations, and unforeseen expenses may arise. Under such conditions the merchant is handicapped in his buying. He has no cash with which to take advantage of unusual buying opportunities



GOING OUT OF BUSINESS

The chief causes of retail failure are the manager's lack of training, lack of planning, and lack of capital. Some alleged bankruptcy sales are merely devices to fool the public, and the stores continue in business after the sale.

and he must allow these opportunities to go to competitors who have enough liquid capital. He must also limit his purchasing to wholesalers who will carry him until he can pay his bills, and they often charge higher prices than would ordinarily be charged.

The farsighted merchant will decide on the amount of capital needed for his business by listing the amount he is going to invest in fixtures, the amount he is going to invest in stock, and the amount necessary to cover expenses until his sales are of a reasonable size. He will allow for a sufficient sum of money to take advantage of buying opportunities and of cash discounts, and he will keep in mind that unplanned expenses will have to be met. It is true that some businesses have been started on a shoestring, so to speak, but most stores that start that way fail. Moreover, great care should be exercised in distributing capital among the different types of assets.

Merchandise Investment. For most types of stores, a sound rule to follow is to invest in merchandise two to four

times the amount invested in fixtures and equipment. This is desirable since merchandise is always the major attraction for the customer. But the foregoing rule does not hold good in the case of a combination food store. The costly equipment required for such a store, plus the rapid turnover that can be realized on merchandise, makes it desirable to invest more in equipment than in merchandise. Turnover of dry groceries averages 10 times a year, meats turn over 30 to 60 times (about once a week), and fresh fruits and vegetables 50 to 150 times (about twice a week). Hence, an average turnover on the entire stock of from 13 to 16 times a year is possible. A stock worth about \$4,000 at cost, with a markup of 20% of retail, would have a retail value of \$5,000. If this turned only 12 times the first year, sales of \$60,000 would be realized.

Cash and Receivables. The current assets of a business include not only the merchandise inventory but also cash and accounts receivable. Care must be taken not to tie up any more money than necessary in fixed assets and also not to tie up too much in accounts receivable, that is, in accounts with customers. As far as possible, the merchant should buy merchandise that can be sold quickly for cash. In the case we have been considering, the weekly credit plan should keep accounts receivable at less than a half week's sales. An investment in receivables of approximately \$500 would cause little risk and would provide a genuine service for many of the customers the young merchant wished to attract.

Liabilities. The merchant must be careful not to owe too much to wholesalers, banks, and equipment dealers. Ordinarily, his current assets (merchandise, cash, and accounts receivable) should be three to five times the amount he currently owes; and the store should have on hand enough cash to pay off its debts, other than notes that have a long time to run. It was unnecessary for the young merchant to borrow from the bank at the start, since wholesalers would allow 10 day terms. This meant that with a turnover at least once a month on a stock of \$4,000, he could owe

about one third of the cost of the stock at any time, or about \$1,300. Moreover, it would not be necessary to pay \$9,500 cash for the equipment he needed. Some of the smaller items could be bought for cash, but suppliers would be glad to work out installment terms for the big units. However, the young merchant did not want to be faced with large installment payments every month; so he managed to pay \$6,800 in cash toward his equipment and assumed an obligation of \$2,700, of which only half would have to be paid within twelve months.

Prepaid Expenses. The beginning store has one more temporary asset; this is the expenses that have to be laid out before the store opens. At least a month's rent must be paid; perhaps some advertising must be done, and wages and other expenses must be incurred before any sales are made. These outlays must be provided for in the initial distribution of capital, even though by the end of the year they will be treated as expenses. In the store in question, these outlays amounted to \$500.

Balance Sheet. In view of all of the above considerations, the balance sheet (distribution of capital) of the new food store appeared as follows:

ASSETS		LIABILITIES AND PROPRIETORSHIP	
Cash	\$ 3,000	Accounts payable	
Merchandise	4,000*	(mdse.)	\$ 1,300
Accounts receivable ..	500	Notes payable	
Current assets ...	<u>7,500</u>	(equipment)	2,700
Leasehold improve-		Liabilities	<u>4,000</u>
ments	1,000	Silent partner	7,000
Old fixtures	500	Merchant	8,000
New equipment	9,500	Proprietorship	<u>15,000</u>
Fixed assets	<u>11,000</u>		
Prepaid expenses ...	500		
Total assets	\$19,000	Total liabilities and	
		proprietorship ...	<u>\$19,000</u>

* Including \$1,500 taken over from former owner.

First Year's Budget. At the same time that an initial balance sheet is prepared, it is wise to draw up a budget of the first year's operations in order to determine the chance for a reasonable profit. The young merchant's plan was as follows:

	\$	%
Sales (conservatively estimated)	\$60,000	100.0
Cost of mdse. sold (gross margin 20%)	48,000	80.0
Gross margin	12,000	20.0
Salary for self	3,000	5.0
Wages of others	5,000	8.3
Rent, light, heat	1,500	2.5
Advertising	300	0.5
Bad debts	100	0.2
Interest to silent partner	350	0.6
All other	750	1.2
Total expense	11,000	18.3
Operating profit	1,000	1.7
Merchant's salary	3,000	5.0
Net profit	4,000	6.7

All of the operating profit of \$1,000 would have to go to the installment payments on the equipment, and it might be necessary to apply \$350 of the cash balance to this purpose, since \$1,350 of the \$2,700 owed for equipment was payable in a year. However, there was a good chance of selling more than \$60,000 and after the fixtures were paid for, the profit available for the owners would be much more.

The young merchant estimated that with no further investment and with little increase in expense, the store within the second year would sell at least \$75,000 worth of merchandise at a margin of \$15,000. At this point, expenses would not exceed \$12,000, yielding a profit of \$3,000 in addition to salary of \$3,000. Since the building was adequate for a volume of over \$100,000, the ultimate earning opportunities were very bright.

Credit. Since the young man who opened the food store had considerable capital to begin with, and since he ex-

pected to concentrate most of his buying with a few wholesale firms, he expected no difficulty in obtaining credit, at least for the limited period of 10 days. While he probably would be allowed to pay in 30 days, this practice would not be to his advantage since he would lose the 2% cash discount customarily allowed for payment in 10 days.

When a person opens a store with very little capital and with no history of payment practice, credit reporting bureaus are loathe to report favorably. In such cases, credit has to be developed slowly, with initial purchases made for cash.

Establishing a Rating. One young woman who opened a dress shop, did not have enough capital of her own to be rated favorably by the credit bureau that investigated her, but she found a way to establish credit. She made friends with a manufacturer whose dresses were particularly desirable, and, after paying cash for a few purchases, she asked if he would send the next shipment C.O.D. She paid for it upon arrival, thus establishing the fact that she had the ability and the intention to pay for everything she selected. Next, she asked him if she could send him a check upon the day of receipt rather than pay cash to the carrier. Since she ordered only six dresses at the moment, he agreed to this. He received the check the day after delivery.

Since the merchant had now established her character through her past performance, the manufacturer was willing to extend her credit for a week. She continued to meet her obligations promptly; so he soon allowed her to pay once a month for all purchases made during the month. For a while he set a definite limit on the amount she could buy in this way, but soon shipped what she ordered, without question, for he was convinced that she had the character and the capacity to meet any obligation she assumed.

The woman then went to other manufacturers and asked for credit, giving as reference the name of the well-known house where she was already accepted as a credit customer. Many manufacturers granted her a limited credit, even though she was not "checked" by the credit bureau. The favorable reports of these manufacturers to

GOING INTO THE GROCERY BUSINESS?
HERE ARE SOME TIPS!

A. Building

1. Select semi-business district with rent less than 3% of estimated sales.
2. Store and fixtures must be spotless.

B. Buying

1. Select jobber for reliability, quality and variety of merchandise, and for credit privileges.
2. Buy in small quantities. Replace twice a week if necessary.
3. At no time have more than 3 or 4 weeks' supply of any item on hand.
4. Do not be lured by bargains.

C. Selling

1. Wear spotless linen.
2. Assure each customer of your personal interest.
3. See that each customer gets every item he wants even if it is necessary for you to pay retail price for it.
4. Be happy to serve each customer.

D. Control

1. Take inventory of yourself and your merchandise.
2. Replenish your stock and adapt your frame of mind toward optimism.
3. Do not repeat today's mistakes tomorrow.

Given by the founder and president of a large Philadelphia food chain.

the credit bureau about her paying habits resulted in the bureau recommending to all suppliers that she be extended credit. This rating allowed her to expand her stock so as to keep pace with her rapidly growing business. Without credit, her store could have grown only as fast as she was able to reinvest her slender profits, and she would probably never have succeeded in building a large, successful store.

Setting Up the Organization

The last of the preliminary steps, before buying merchandise for a new store is to set up an organization. This matter has been discussed in detail in Chapter VII.

In the case of the young food merchant, no elaborate organization was necessary. But he did hire a person trained in the cutting of meats and a general salesclerk. Duties of each person should be carefully defined, including the duties of the merchant himself.

VOCABULARY

Study the following words. Try to make them a part of your vocabulary.

Balance sheet—A statement of a business showing the distribution of capital and proprietorship.

Collateral—The security a borrower leaves with a loaning company to insure the repayment of the money he is borrowing.

Current assets—The merchandise, cash, and accounts receivable of a store.

Fixed capital—The amount invested in store fixtures, equipment, building, and land.

Liquid capital—The amount of cash on hand.

Public financing—Raising money for a business through the sale of bonds and/or stocks to the public.

QUESTIONS ON THE CHAPTER

1. What kind of experience should a person have before attempting to start his own retail business?
2. What advantages are there in a retailer having formal training?
3. What seven things had to be considered by the young man who decided to go into business for himself before he could actually start his store?
4. Upon what three things does the kind of merchandise to be sold depend?
5. How was the young man who decided to start his own business handicapped because of the fact that all his previous experience had been in large stores?
6. What kind of a town would be a good location for a super-market?

7. Why is competition often desirable if a new store can distinguish itself in some way from stores that are already established?
8. What are the five possible sources from which a merchant may secure the capital he needs?
9. What are the three kinds of capital? Define each kind.
10. Of the store's current assets, what proportion may be invested in merchandise and what proportion should be held as a cash reserve?
11. What is the great advantage of a store buying some of its merchandise and fixtures on credit?
12. What is a credit reporting bureau?
13. Why are firms that sell fixtures generally fairly liberal in extending credit?
14. What are the steps in establishing good credit rating?

PROBLEMS FOR DISCUSSION

1. For what other reasons than a desire to make a profit do people go into business for themselves?
2. Under what conditions is it better to buy an established store than to start one of your own?
3. Many department store executives say that an able buyer for one line of goods can be switched to another department and can be equally successful. Does it follow that a person with managerial experience in one line is wise in opening a store carrying a different line? For example, would it be wise for the manager of a auto accessory chain to go into business for himself as a dry goods merchant?

THINGS TO BE DONE

1. Study your community. Is there a need for some type of store that is not now found in your community? What type of store? Give reasons for your answer.
2. Make a report for your classmates on the advantages and disadvantages of:
 1. Single proprietorship.
 2. Partnership.
 3. Corporation.
3.
 - a. List ten individually owned stores in your community.
 - b. List five stores in your community owned by partners.
 - c. List five stores in your community that are owned by corporations.

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